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Twenty-Two Years after the Monterrey Consensus: Issues, Challenges and Prospects

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Abstract
At the core of commitments to address the problem of development in Africa include the Monterrey Consensus, a framework for discussion on development finance between the global North and South. The paper is an attempt to assess the performance of the Monterrey Consensus in a period of about twenty years. It argues that Africa has experienced slight economic growth in the area of external debt relief since the adoption of the consensus in March 2002, although much needs to be done in the areas of mobilizing international finance for development, promotion of international trade policies among others. The paper concludes that a genuine commitment to the principles of the consensus can adequately address the problems of economic development and lay a solid foundation for a brighter future for Africa and Africans.

Keywords: Consensus, Development, Framework, Monterrey, Prospects

Introduction

The Monterrey Consensus was adopted by Heads of States and Government in March 2002 as a major framework for discussion on development finance by states in the global North and global South. It was a turning point that produced a breakthrough on the question of official development assistance, with substantial new pledges, and a major change in attitude.[1]

For the African states, the adoption of this international commitment was an important measure in mobilizing domestic and external financial resources for poverty reduction and economic growth. March 2024 makes the Consensus twenty-two years in operation and what readily comes to the mind of many enlightened Africans is the extent to which the goals and objectives have been achieved in its six core areas.[2] There has been various measures geared towards African development, which include the 2005 World Summit Outcome, the 2005 Paris Declaration, and the 2005 G8 Gleneagles Summit declaration. Moreover, since the dawn of the new millennium, member states of the G8 have paid attention to development issues affecting

[1]http://www.un.org/esa/ffd/documents/Building%20on%20Monterrey.pdf (accessed: April 13, 2023).

[2]Karazeka Karjomuise, Patrick Osakwe, Abbe Shimeles and Sher Verick (Eds.) *The Monterrey Consensus and Development in Africa: Progress, Challenges and Way Forward: the UN Economic Commission for Africa*, 2007, p.3.

Africa in their various Summits. Of all these commitments, the 2005 G8 Gleneagles Summit was the first comprehensive and decisive effort to address economic crisis in Africa.[3] In this measure, the G8 states recognized the need to increase substantially the Official Development Assistance (ODA) to Africa to enhance the prospect of economic development. In this regard, G8 leaders made a commitment to double their aid to Africa by 2010. They also agreed to increase their total ODA to Africa to the tune of twenty-five billion dollars annually.[4] On the debt issue, they made commitment to cancel one hundred percent of outstanding debt of qualified Heavily Indebted Poor Countries (HIPC) to the international Monetary Fund, the International Development Association and the African Development Fund; and to provide additional resources to ensure that the financial capacity of these institutions are not jeopardized.[5]

They also reaffirmed their commitments to the Paris Declaration and renewed their pledge to help Africa prevent and resolve conflicts, promote good governance, boost investments in health infrastructure, build capacity and stimulate growth.[6] Despite these bold steps, there is increasing fear and concern in Africa that very little or negligible percentage of progress has been recorded in six core areas[7]. This concern captured the attention of the General Assembly of the United Nations in 2007 in which it asserted that if the current trend continues, African states cannot mobilize the needed resources to finance public investment critical to achieving the Millennium Development Goals (MDGs). To address this trend, the General Assembly held a High-level Dialogue on Financing for Development in 2007 and this was followed by an international conference in Doha to review the implementation of the Monterrey Consensus.[8]

Based on this background, the paper attempts to assess the level of progress made in Africa in the six core areas of the Consensus, towards determining the extent to which the goals of the consensus have been achieved in the continent. To achieve the goal of this paper, the twenty-two years annual data on key macro-economic indices was assessed.

[3]Clero Dupasquier and Patrick Osakwe, "Trade Capacity Building in Sub-Saharan Africa: Emerging Issues and Challenges," In D.N. Dinello and E. Aryeetey (Eds.), *Testing Global Interdependence: Issues on Trade, Aid, Migration and Development*, Cheltenham: Edward Elgar Publishing, 2007, p.16.

[4]G. Dijkstra and N. Hermes, "The Uncertainty of Debt Service Payment and Economic Growth of Highly Indebted Poor Countries," Manuscript, Helsinki: United Nations University, 2001, p.106.

[5]Karjomuise, Osakwe, Shimeless and Verick, *The Monterrey Consensus*…, 2007, p.19.

[6]B. Clements, R. Bhattacharya and T. Nguyen (Eds.) "Can Debt Relief Boost Growth in Low Income Countries"? *Economic Issues*, No. 34, p.220.

[7]See Peter Nunnenkamp and Rainer Thiele, "Financing for development: The gap between words and deeds since Monterrey", Kiel Working Paper, No. 1691, Kiel Institute for the World Economy (IfW), Kiel, 2011.

[8]P. Collier and S. O'Connell, "Opportunities, Choices and Syndromes", Paper presented at the AERC/Harvard Workshop on Explaining African Economic Growth, Weather head Centre, New York, 2005, p. 18.

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Growth Indicators in Africa before and after the Monterrey Consensus

It is safe to argue that there has been a relative progress in economic growth of some African states since the adoption of the Monterrey Consensus in 2002. For instance, the annual growth rate of real Gross Domestic Product (GDP) increased from (3.39%) in the Pre-Monterrey period to (4.82%) in the Post-Monterrey period as at 2002 – 2020 in sub-Saharan Africa. Also, it is expected that the economic performance of the region will be better off in the coming years. For instance, estimates between 2007 and 2022 showed that Africa GDP grows at an annual rate of (7.69%).[9]

Growth performance varies across sub-regions of Africa, as North and East Africa recorded high rate of growth than other sub-regions. Average annual growth in North Africa was 7.69% in the post-Monterrey period. Economic growth in Democratic Republic of Congo, Tanzania, Kenya and Ethiopia made East and Central Africa the second and third fastest growing subreigios in the post-Monterrey period. The Southern Africa subregion also made significant progress, improving its growth rate from an average of 3.34% in the pre-Monterrey priod to 5.62% in the post-Monterrey period, representing the highest percentage point increase in growth experienced in the African region during the period under review. The recovery of the Angolan economy contributed to this growth.

African states have also improved in other areas of economic performance such as macroeconomic stability. To further achieve this, African states must deal with the vulnerability to internal and the external shocks, the effect of which linger for a long period. Political instability, drought, flood, epidemics, and terms of trade shocks are some of the factors stunting growth and development in Africa. To address this, African states must put in place mechanisms to prevent and resolve political conflicts, protect their economies from external shocks through diversification of their production and exporting earnings. They must also ensure that increase in growth is translated into progress areas of social development. Given the strong link between education, health and poverty, there is need for African states to ensure that much is done to lift people out of poverty in order to stimulate and maintain stable economic development.[10]

Highlighting of the Monterrey Consensus

Mobilizing Domestic Financial Resources for Economic Development

One of the means of mobilizing domestic financial resources is through domestic savings. This is necessary to provide resources for investments and to boost financial market development and stimulate economic growth. However, African states hardly mobilize enough domestic

[9]N. Ndulu and O'Connell, Governance and Growth in Sub-Saharan Africa, *Journal of Economic Perspectives*, 2008, p. 76.

[10]J. Elbadwi and F. Mwega, "Can Africa's Saving Collapse be Reversed?" *World Bank Economic Review*, Vol. 4, No. 3, 2003, p.76.

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resources to meet their investment needs. This explains the continual financing gaps in African states. Records have it that since the adoption of the Monterrey Consensus, African states have made very little progress in this direction. Based on average annual data, the ratio of savings to GDP increased from (22%) in the pre-Monterrey period to (26%) in the post-Monterrey period. In 2007, average ratio increased to (29%). However, domestic investment as share of the GDP has been slow both in pre and post Monterrey periods.[11]

Undoubtedly, the state is an important means of domestic savings because of its capacity to mobilize resources through taxation. An increase in public sector savings increases the ability of the state to provide and maintain social services such education, health, infrastructure, portable water and other social amenities that are very necessary for the realization of long-term development objectives. Available data shows that Sub-Saharan Africa has made little progress in the area of government revenue to GDP, both in the pre and post Monterrey periods. However, Angola, Bostwana, Eritrea, Gabon, Lesotho, Namibia, and Seychelles, recorded high revenue ratio in this period under review. Despite this relative growth, some African states still have very low tax ratio and that informed the low aggregate figure in these states.[12]

History has shown that private savings plays crucial role in the economic development of Africa, though the long-term trend of private savings has not been encouraging. Low levels of per capita income and high dependency on foreign aid has led to lower rate of private savings. Also, existing financial institutions are not helping in the mobilization of domestic resources. Thus, micro-finance institutions have a role to play in the mobilization of domestic resources. The emergence of micro-finance banks in many African states has created opportunities for small scale entrepreneurs to access credit facilities for business development and employment generation. Strengthening the capacity and operational approach of these micro-finance institutions could accelerate the pace of financial sector development as well as poverty reduction.[13]

The Monterrey Consensus recognized the relevance of good governance in the mobilization of domestic resources because weak and inefficient public institutions reduce domestic savings especially in the area of corruption. For the African states to scale up their saving ratios to enhance prospects for the realization of Millennium Development Goals, governments must create investment environment conducive for the organized private sector to have an incentive to access existing domestic savings for investment. More effort is needed to improve the investment environment, in this era of the investment climate facility in the continent.[14]

[11]Karjomuise, Osakwe, Shimeless and Verick, *The Monterrey Consensus…,* 2007, p. 22.
[12]World Economic and Financial Survey Series, IMF, Washington DC, 2007, p. 56.
[13]World Economic and Financial Survey Series, IMF, Washington DC, 2007, p.56.
[14]Regional Economic Outlook: Sub-Saharan Africa, IMF, Washington DC, 2007, p.101.

Mobilizing International Resources for Development

Foreign Direct Investment (FDI) is globally recognized as vital complements to domestic resources with its potentials to facilitate economic development. It promotes productivity and income growth more strongly than domestic investment.[15] FDI enhances transfer of technology, generates employment, improves competitiveness and boost exports. However, in Africa, the flow of foreign direct investment is low. With the adoption of the Monterrey Consensus, African states have made little progress in attracting FDI. In 2006, Africa attracted thirty-nine billion dollars ($39 billion) in gross FDI inflow compared to the twelve billion dollars ($12 billion) recorded between 1998 and 2001. For Sub-Saharan Africa, net FDI inflows jumped from nine billion, seven hundred million dollars ($9.7 billion) to thirteen billion, four hundred million dollars ($13.4 billion) between 2001 and 2006.[16] Despite these improvements in the flow of FDI, its share in African GDP is minimal. In the pre-Monterrey period, it was 2.1% but rose to 2.4% in the post-Monterrey period. This rise aligns with the Monterrey Consensus objective which explicitly refers to the least developed countries as those groups most in need of FDI to achieve national development priorities[17].

Globalization of the capitalist economy has increased competition for FDI and states like China and India have become major players in this area. Consequently, Africa states must prepare for this competition for FDI by improving their infrastructure, reduction of political risk, enhancing macro-economic stability, diversification of export base and utilizing gains for regional integration as an effective tool for promoting trade and investing.[18] African states should also place high premium on the boosting of intra-African FDI and create incentive for the private sector to invest in the region to curb capital flight. So far, only South Africa has benefited from the intra-African FDI flow. Bearing in mind the relevance of FDI to economic development, African states should be cautious and selective in the types of FDI inflow they seek to attract. FDI that encourages transfer of technology and local capacity building are preferred. More so, attention should be paid to sectors that have high value and employment generation potentials and environmental impact of FDI should be given serious consideration by African states.[19]

All said, there has been a slight increase in the private capital flows to some African states since the adoption of the Monterrey Consensus. The private capital flow moved from thirteen billion, four hundred million ($13.4 billion) in the pre-Monterrey period to nineteen billion dollars

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[15]OECD, *Foreign Direct Investment for Development: Maximising Benefits, Minimising, Costs.* Paris, 2002.

[16]Karjomuise, Osakwe, Shimeless and Verick, *The Monterrey Consensus…,* 2007, p. 27.

[17]Peter Nunnenkamp and Rainer Thiele, "Financing for Development: The Gap between Words and Deeds since Monterrey", Kiel Working Paper, No. 1691, Kiel Institute for the World Economy (IfW), Kiel, 2011, p.15.

[18]The Emerging Landscape of FDI: Some Salient Issues, UNCTAD, Geneva, 2007, p. 33.

[19]Dupasquier and Osakwe, Trade Capacity Building in Sub-Saharan Africa, 2007, p.19.

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($ 19 billion) in the post- Monterrey period[20]. Some of the capital flows are in the form of equity capital. Also, remittance has played an important role in financing development in the region, and more of these will create impact on the economic development in the continent.[21]

Promotion of International Trade (Aid-for-Trade)

International trade, or in the context of the Monterrey Consensus-Aid-for-trade- is one of the important means for growth and any effort aimed at accelerating development courtesy of international trade, a state can have access to foreign exchange, expand its market, increase foreign direct investment, facilitate transfer of technology and boost domestic productivity. It aims, among other things, to provide support for the productive capacities of the poor, to help connect the poor to markets through a set of marketing policies, institutions and investments in rural infrastructure, and to facilitate adjustment to trade-induced structural change.[22]

It can also generate employment and increase domestic income as it is very obvious that African states records very low share of global trade. To reverse this ugly trend and incorporate Africa into the world capitalist system have been the goals of African states and their development partners. The Monterrey Consensus placed importance in international trade in accelerating economic development and integrating states in Africa into the multilateral market system.[23]

In pre-Monterrey period, growth in export trade increased from (4.7%) to (6%) in the post Monterrey period. Despite this increase, the growth of export of African states is relatively very low, facing stiff competition in the global market for its export, therefore perpetuating its marginalization in the international capitalist economy. Also, most African states face serious internal and external barriers to trade and export market expansion and unable to have a fair share of the benefits from the multilateral trading system. The Doha Development Agenda was meant to address this issue but there was little or no benefit from that agenda for Africa.[24] African states continued to be the net exporter of primary commodities with low elasticity of demands, hence little or no opportunity for export market expansion. Diversification of the production and export in global trade is a sine qua non for Africa to increase its own share of global exports. It will also protect African states from vulnerability to external shocks of terms of trade fluctuations. Diversification of export will also improve productive capacities.

[20]E. R Borensztein, J. De Gregorio and J.-W. Lee How Does Foreign Direct Investment Affect Economic Growth? *Journal of International Economics*, 45 (1), 1998, pp.115–135.

[21]Karjomuise, Osakwe, Shimeless and Verick, *Monterrey Consensus*, 2007, p. 29.

[22]Peter Nunnenkamp and Rainer Thiele, "Financing for development: The gap between words and deeds since Monterrey", Kiel Working Paper, No. 1691, Kiel Institute for the World Economy (IfW), Kiel, 2011.

[23]Karjomuise, Osakwe, Shimeless and Verick, *Monterrey Consensus*, 2007, p. 30.

[24]N. Ndulu and S. O'connell, *Governance and Growth in Sub-Saharan Africa*, 1998, p. 78.

To achieve this, African states must maintain stable macroeconomic conditions, create regulatory measure for export promotion, ginger the private sector and develop institutional infrastructure. What is needed to achieve diversification in export is adequate human and financial resources which are not enough at the disposal of African states. In order to address this inadequacy, development partners of African states have a critical role to play. These include having market access opportunities; countries in the global North should offer duty and quota free for African exports into their large markets. This will create an incentive for African states to diversify their export structure to have the advantage of improved market access and rapidly engender their integration into the world capitalist system.[25] Secondly, States in the global North can help by increasing their financial support for infrastructure development in states of the global South. To this end, development partners of African states should provide more support for regional infrastructure development projects to reduce the costs of transportation and make the capacity building support in the field of trade and export development in other areas in which the development partners can help African states to diversify their economy. Such support will encourage these countries to bridge the gap between resources needs and availability and also put them in vantage positions to compete in the world capitalist markets. To achieve this, there is need for all to be involved in the initiative to fast track the necessary measures towards the realization of this objective.[26]

The Aid-for-Trade Initiative must avoid the problems associated with past trade capacity building programmes such as lack of ownership of these programmes by the recipient states, focus on donor priorities against those in the receiving state and lack of adequate funding. More so, there should be donor support trade and export market development among African states. The effect of this support will be utilized if African states put in more effort to fully mainstream trade into their national development strategies. This requires bringing all relevant stakeholders in the formulation and implementation of trade policies to ensure that macroeconomic and social policies complement each other, address impediments towards access to markets and strengthen trade capacity.

Increase International Financial and Technical Cooperation

One of the six pillars of the Monterrey Consensus is to increase international financial and technical cooperation between African states and their development partners. The Monterrey Consensus places a high premium on the role of Overseas Development Assistance (ODA) as a complement to other sources of financing in developing states. It also emphasizes the fact that a substantial increase in ODA is a vital need of these developing states, if they are to achieve their development goals. Since the Monterrey Consensus was adopted, development partners have made

[25]World Economic Financial Survey, 2007, p. 16.
[26]The Emerging Landscape of FDI, 2007, p. 35.

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several promises to scale up the quantity and efficacy of aid in these developing nations[27]. The fall outs of the G8 Gleneagles Summit and the Paris Declaration reaffirmed the commitments made in the Monterrey Consensus, especially as it relates to the quantity and quality of aid.[28] The remaining part of this section is devoted to detailed analysis of the quantity and quality of aid and other innovative sources of funding to the developing states in Africa.

Since the adoption of the Monterrey Consensus, there have been elements of progress on aid quantity to developing states in Africa. Net ODA flows to Africa have increased from sixteen billion dollars in the pre-Monterrey period to twenty-eight billion dollars in the post-Monterrey period. Nigeria is among the major recipient of aid in the post-Monterrey period because of the debt relief it obtained in 2005. Overall, forty-three states in Africa had an increase in ODA flow in the post-Monterrey period while nine countries did not enjoy such increase.[29] A major concern of African states is that these increases in aid are due to debt relief and humanitarian assistance, but do not reflect additional resources available to finance development programmes. If these two elements are removed, it is obvious that there has not been any significant increase in deed to the African States.

The Monterrey Consensus also called on the development partners to make more effective positive contributions to development in the recipient states. The Paris Declaration of 2005 was the first bold attempt by the developed and developing states to take concrete steps to enhance the effectiveness of aid. The declaration provided a framework to improve the quality of aid anchored on five major pillars namely; ownership, alignment, harmonization, managing for results and mutual responsibility.[30] However, some steps were taken to monitor progress in improving aid effectiveness. The survey conducted by the Organization for Economic Cooperation and Development in 2006 arrived at the following verdicts regarding the Paris Declaration: increased awareness and promotion of dialogue at the state levels; the slowness of the donors; the need to strengthen national development strategies in respect to donor support; the management and delivery of aid by donors; the use of performance frameworks and reports by states and donors; and the development of credible monitoring systems.[31]

In the assessment of the degree of progress and implementation of international commitment on aid effectiveness, some civil society groups have been effective. For instance, the African Forum and Network in Debt Development (AFRODAD) is one of such groups. In 2006,

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[27]Peter Nunnenkamp and Rainer Thiele, "Financing for development: The gap between words and deeds since Monterrey", Kiel Working Paper, No. 1691, Kiel Institute for the World Economy (IfW), Kiel, 2011, p. 5.

[28]G. Dijkstra and N. Hermes, "The Uncertainty of Debt Service Payment and Economic Growth of Highly…

[29]Regional Economic Outlook: Sub-Saharan Africa, IMF, Washington DC, 2007, p.106.

[30]Collier and O'Connell, "Opportunities, Choices and Syndrome…", 2005, p.20.

[31]Collier and O'Connell, "Opportunities, Choices and Syndrome…", 2005, p.20.

AFRODAD commissioned studies on four states in Africa- Ghana, Kenya, Malawi, and Mozambique, to access the implementation of the Paris Declaration on Aid Management and donor harmonization. Based on the results of these studies, progress has been made in the areas of the international aid agenda, especially in the areas of stimulating debate on aid effectiveness in the donor and recipient states, and strengthening accountability between government and citizens on one part and donors and recipients on the other.[32] According to Torsvik, the basis for donor coordination seem to rest on the public good character of poverty alleviation in aid recipient countries.[33]

In respect to ownership, the studies confirmed that African states have taken adequate measures to strengthen leadership and ownership of their development process. Some African states have developed, while some are in progress of developing comprehensive national development framework with strategic priorities linked to their medium-term expenditure framework. In some states, the Poverty Reduction Strategies (PRS) serves as an operational policy framework for donor support to partner countries. A state like Kenya has taken effective leadership for co-ordinating aid and introducing more harmonized aligned system at the national and sector levels.

In the area of alignment, studies show that although progress has been made in aligning donor support to partner country's national development framework, such progress has little or no impact and has been very negligible. Most of the donors channeled their support to government outside the budget system. The high concentration of donor support in proper finance limits government flexibility in the use of fund and prevents development priority. Apart from this, the high percentage of flexibility in the use of fund prevents development priority. Apart from the high percentage of project finance in total donor support, budget planning and implementation of development projects is undermined by high unpredictability of aid flow. It has been reported that there is progress in aligning donor support to partner's public financial management and procurement system. Although donor confidence in some African states has improved, in some states, it remains weak, unaccountable and non-transparent.

In the areas of harmonization, case studies gave mixed results as in some states like Kenya, donors show stray resolve for harmonization, including joint missions, joint analytical work and joint donor-government assessment of technical capacity building. Certain level of progress has been made in other states towards harmonization, though laced with donor loss of visibility as a result of moving towards joint actions and fewer stand-alone projects. In states like Malawi,

[32]Monterrey Consensus, 2007, p.31.

[33]G. Torsvik, Foreign Economic Aid: Should Donors Cooperate? *Journal of Development Economics*, 77 (2), 2005, pp.503-515.

Nigeria, and Mozambique, multiple and overlapping processes, mission reviews and meetings continue to be the norm rather than the exception.[34]

On managing for results, the studies show that capacity constraints in the human and financial aspects continue to hamper efforts at managing for results. African states are yet to move towards a full result-oriented culture because the monitoring and evaluation mechanisms are weak and infective. Although donor countries have put certain measures in place to support partner countries in strengthening their monitoring and evaluation mechanism, progress in this area are not encouraging. Due to this ineffective means of monitoring and evaluation in the recipient states, donors continue to rely on their own monitoring and evaluation system.

In the area of mutual accountability, the study shows that although some African states have made significant progress in strengthening their accountability to donor countries, there is limited progress in strengthening their accountability to their municipal constituencies such as parliaments, civil society organization, among others. This obviously undermines genuine ownership of the development process.[35]

The Monterrey Consensus recognizes the fact that the ODA would not be enough to finance development in poor countries of the global South, such as Africa. Conscious of this inadequacy, the international community has tried to stand in especially in the area of the health sector. The major instruments developed in this direction are International Financing Facility for Immunization, The Aviation Levy and the Advanced Market Commitment. This discusses these instruments in details.

a. International Finance Facility for Immunization (IFFI) as an instrument of development in the health sector was launched in 2006 with the aim of front-loading future aid commitment by borrowing from the International Financial Markets. It ensures that resources from aid pledge are made available in a timely manner for investment in health prevention and development programmes. The programme receives the support of France, Italy, Norway, Spain, Sweden, the United Kingdom and South Africa. This facility also provides funds for the Global Alliance for Vaccine and Immunization.
b. Aviation Levy: This is the use of aviation tax to generate resources for development. This measure received a boost after France launched its air ticket in July 2006 to raise resources to combat HIV/AIDS, Malaria, and Tuberculosis. Most of the resources are channeled through the United Nations International Drug Purchase Facility; Eighteen African states out of thirty-four nations have joined the facility.
c. Advanced Market Commitment (AMC). It was launched in February 2007 to creat an incentive for pharmaceutical companies to develop vaccines for diseases common in states of the global South. The commitment could cover areas such as education and

[34]Elbadwi and Mwega, “Can Africa;s Saving Collapse be Reversed?”, 2003, p. 126.
[35]World Economic and Financial Survey, 2007, p.17.

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infrastructure with links to export capacity as well as competitiveness with the potential of contributing to poverty alleviation.[36]

External Debt and Sustainability

Africa's external debt burden has remained a lingering problem in most African states in particular and international community at large, with its negative impact on development. Huge external debt promotes increase in taxes, discourages private sector investment, creates difficulties in obtaining more loans and slows economic growth. Studies have shown that external debt has negative impacts on economic development after reaching a critical debt threshold, especially when the net present value of debt is greater than (160%) of export and (40%) of Gross Domestic Product (GDP). The HIPC initiative of 1996 and the enhanced HIPC Initiative of 1999 are the bold attempts made by the members of the international community in the pre-Monterrey period to deal with the issue of external debt militating against the developing states.[37] However, many states in Africa welcomed these initiatives but they expressed concern about its implementation, especially in providing long-term solution to their external debt burden. One of the problems of these initiatives is the criteria used to measure debt sustainability and approaches to predict debt dynamics which do not take into cognizance the individual country's circumstances. Also, another important area of concern amongst African states is the slow progress towards decisions and completion points in the HIPC initiatives, and the debt relief which has not led to increase in the transfer of resources for development.

Bearing in mind, these limitations, the G8 states at their Gleneagles Summit in 2005 made another effort in line with the principles of the Monterrey Consensus, by introducing the Multilateral Debt Relief Initiative (MDRI) aimed at cancelling all debts owed by HIPC to the IMF, IDA and African Development Bank (AfDB)[38]. With these initiatives, the external debt situation has improved in recent years. In the pre-Monterrey period, Africa's external debt on an annual basis was two hundred and seventy-four (274) billion dollars, but fell to two hundred forty-four (244) billion dollars in 2006. Since then, there has been modest progress in this direction. Overall, in the post-Monterrey period, African states made remarkable progress in the implementation of the MDRI introduced in 2005. It is to the credit of the Monterrey Consensus that considerable progress has been made in removing over-indebtedness as an obstacle to sustainable development.[39]

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[36]Karjomuise, Osakwe, Shimeless and Verick, Monterrey Consensus, 2007, p. 33.

[37]The Emerging Landscape of FDI, 2007, p.39.

[38]Gleneagles Communique (2005). Climate Change, Energy and Sustainable Development.http://www.g7.utoronto.ca/summit/2005gleneagles/communique.pdf (Acessed April, 2021.

[39]VENRO Sustainable Financing for Development and Poverty Eradication. Policy Paper for the Second International Conference on Financing for Development in Doha. Association of German

The debt relief received by Nigerians and other countries led to an improvement in the economic performance in the continent.[40] However, despite the progress made since the adoption of the Monterrey Consensus, much is still left undone in this direction. The major objectives of the debt relief initiative are the attainment of sustainable development and fast growth in poverty reduction. This is based on the fact that too much of debt accumulation hampers long-term economic growth. When debt is accumulated and a country is in a difficulty of payment, the debt service tends to offset returns from previous debt invested in the domestic economy and by implication discourage future domestic and foreign investment. All said, debt relief is essentially meant to reverse the negative impact of debt overhang.

African states are also concerned that the debt ratio has started falling. To speed up progress in this regard, there is need to increase creditor's participation in the highly indebted Paris Club Creditors. The rising profile of China and India as source of concessional credit facilities for African states has increased the tendency of more debt accumulation as the new creditors have more flexible loan disbursement conditionalities. There is also the concern that resources freed through debt relief are spent on public service delivery and social service with little or nothing allocated to the manufacturing sector of the economy which may serve as engine room for long-term growth and poverty reduction.[41] Though investment in the social sector is necessary because of its multiplying effects especially in the area of poverty alleviation, adequate attention must be given to the productive sector of the economy. Also, debt relief alone is not enough to ensure long-term sustainability in Africa. Other policy action aimed at reducing external shocks especially in the area of export as well as repayment capacity should be adequately utilized. Finally, all attention should be on the HIPC as non HIPC are aslo facing huge challenges grappling with debt burden.

Addressing Systemic Issues

The Monterrey Consensus stressed the need for the international monetary, financial and trading system to complement national development efforts. In this regard, it called for an improvement in global economic governance of international institutions as well as policy and programmes coordination by these institutions. It also called for coordination among relevant ministries and agencies to enhance coherence in policy design and formulation to ensure that these policies have the expected impact on their economies. One of the ways expected to achieve these goals is to increase the number of African states participation in the decision making of these institutions- International Monetary Fund, the World Bank, the World Trade Organization, among others. Despite their numerical strength, African states have been excluded from or insufficiently

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Development NGOs (VENRO). Bonn. http://www.un.org/esa/ffd/doha/VENROPolicyPaperDoha.pdf, 2008. (accessed: April, 2022).

[40]World Economic and Financial Survey, 2007, p. 19.

[41]Dijkstra and Hermes, "The Uncertainty of Debt Service Payment and Economic Growth of Highly Indebted Poor Countries," 2001, p.110.

represented in international organizations that make decisions on issues that have far reaching impact on their economies. Since the Monterrey Consensus was adopted, conscious efforts have been made to enhance the participation of African states in decision making in the World Trade Organization.

At the 5th Ministerial Conference held in Cancun in 2003 and the 6th Ministerial Conference held in Hong Kong in 2005, trade ministers of most African states were selected as facilitators in key areas of the negotiations and participated in Green-room meetings where critical decisions on trade were made. That was a welcome development which led to conceding the position of the Director General for the World Trade Organization to an African, a Nigerian woman, Ngozi Okonjo-Iweala; an unprecedented feat for Africa. With regards to the World Bank and IMF, there has been no significant attempt to increase the voice of African states in decision making. At the IMF annual meeting in Singapore in 2006, an ad-hoc quota increase was approved for China, Korea, Mexico, and Turkey. This development drastically reduced the relative share of African states and hence their influence in the decision making at the fund.[42] States in Sub-Saharan Africa accounts for about 25% of IMF membership but has a voting power of 4.4%. Obviously, the global governance of international organizations is an area that African states should be adequately represented if the goals of the Monterrey Consensus are to be realized in the continent.

There is also need for policy coherence at the national level. This is necessary to address the problem of incoherent economic and development policies. If these policies must contribute meaningfully to the realization of the goals of the Monterrey Consensus in African states, it is very necessary that donor's policies in diverse areas including Overseas Development Assistance, trade and market access, finance and debt, migration, and agriculture must be consistent with the goals of this Consensus and other internationally agreed development goals, as issues like management of commodity price risk, vulnerability to external shocks, prevention and management of currency and banking crises must also be addressed as national systemic issues.

Prospects of the Monterrey Consensus

Modestly, Africa's economic performance has improved since the adoption of the Monterrey Consensus in 2002. However, this has not translated to poverty alleviation, economic growth and better conditions of living. Against this background therefore, there is need for African states and their development partners to accelerate their efforts to ensure that the goals of the Consensus are realized in the region. To achieve this, serious action is required in the six core areas of the Convention as discussed below.

African states must appreciate the fact that mobilization of domestic resources is the most reliable and sustainable source of development finance. There is need to take concrete action to boost savings and reduce or eliminate domestic capital flight. African states must exploit the

[42] *ibid*.

development potential of thriving micro-finance institutions in mobilizing savings and channeling it into productive investment. Regional integration of capital markets should also be explored as an effective way to boost stock market development in the region. Regionalization of capital markets will increase the liquidity of capital markets and provide a large pool of investment resources for national and regional development. In the area of trade reforms, African states must ensure that the reforms in this area goes with fiscal policy changes that would offset loss of revenue from trade taxes.

Africa states must have a coherent and all-embracing policy that can attract foreign capital to complement domestic resources and external aid. Competition for foreign capital has become intense with the increasing globalization of trade and finance. Consequently, countries in Africa have to improve their investment environment and develop their infrastructure if they are to reverse their low, declining or stagnant share in global private capital flows. However, efforts should also be made to ensure that domestic investors are not discriminated against the drive to attract private capital flows. In addition, investment policies should be liberalized and harmonized within the continent to encourage cross-border investment between states. At the national level, efforts should be made to increase and improve access to financial services to make it easier for people to use the banking system and other formal channels to receive remittance from abroad. Also, development partners should reduce the transactions costs of remitting loan to developing countries.

Considering the fact that trade is the engine of development, development partners should create a trading environment that allows the region to unlock its export potentials, as they should offer duty and quota free access to exports of African states, provide more stable and adequate funding for trade capacity building programmes. More so, progress in the implementation of Aid-for-Trade Initiative is necessary for African states to design trade policies conducive to local environments. African states should also ensure the removal of obstacles to export promotion such as poor infrastructure, bureaucracy and customs procedures that increase transaction costs. They must also diversify their production and export structure to reduce vulnerability to external shocks and increase their share of benefits from trade.

Some states in Africa relies more on the flow of overseas development assistance to finance their investment projects. Development partners should double their efforts to meet their pledges. They should also walk their talk to untie aid flows and make them more reliable as more efforts should be made to enhance aid effectiveness. In addition, more donors should support the innovative sources of financing such as the International Finance Facility for Immunization, the Air Ticket Levy and the Advanced Market Commitment.

To realize the goals of the Monterrey Consensus, much is needed to be done in the area of debt relief. Though progress has been made in this direction, there is need to extend eligibility for debt relief programme to non-highly indebted poor countries and reduce the years it takes for countries to move from decision to completion point. To address this, the use of existing debt sustainability framework as a guide for assessing risks associated with new loans is recommended.

There is need for members of the international community to seriously consider the issue of increasing the voice of African states in decision making bodies of international financial institutions. This will serve as a veritable means of making these institutions more democratic and sensitive to the needs and concerns of African states. The WTO has set a good precedence whereby others like IMF and World Bank should borrow a leaf from WTO being part of the democratic processes will guarantee adequate representation the of African states.[43]

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[43] *ibid*.

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