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Social dimensions of the New Partnership for Africa's Development

Report of the Secretary-General

Summary

The present report has been prepared in accordance with Economic and Social Council resolution 2013/26. It notes the progress that continues to be made within the social dimensions of the New Partnership for Africa's Development, with particular attention to poverty eradication, food security, education, health, employment and gender equality. The report highlights opportunities for strengthening Africa's development trajectory, which include structural transformation, harnessing a demographic dividend, rapid urbanization and improving macroeconomic conditions. The report calls upon Governments of the countries of Africa and the international community to form effective partnerships in support of Africa's development priorities.

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I. Introduction

1. The New Partnership for Africa's Development (NEPAD) continues to guide continent-wide efforts aimed at social and economic transformation and at reducing Africa's marginalization in the world. Africa's development partners also continue to align their aid commitments with key New Partnership priorities, particularly those relating to agriculture and food security, human development, gender empowerment, regional integration and infrastructure development. Development strategies informed and guided by the New Partnership are all geared towards ensuring that Africa's economic growth is inclusive, equitable and sustainable, thereby leading to poverty eradication, employment creation and greater social inclusion.

2. With high economic growth, there have been considerable improvements in incomes, living standards and infrastructural development across the continent. However, progress has been uneven. The least developed countries, countries in conflict and those emerging from conflict have been particularly challenged.

3. On the up side, Africa's economy is expected to continue its high growth through 2014, at 4.6 per cent in 2013 and 5.1 per cent in 2014. The expanded fiscal resources generated by high growth form an important bedrock for achieving the structural transformation necessary for tackling extreme poverty and hunger and improving the social and economic well-being of all citizens. Regional and global cooperation and strong political will are important in shaping this reality.

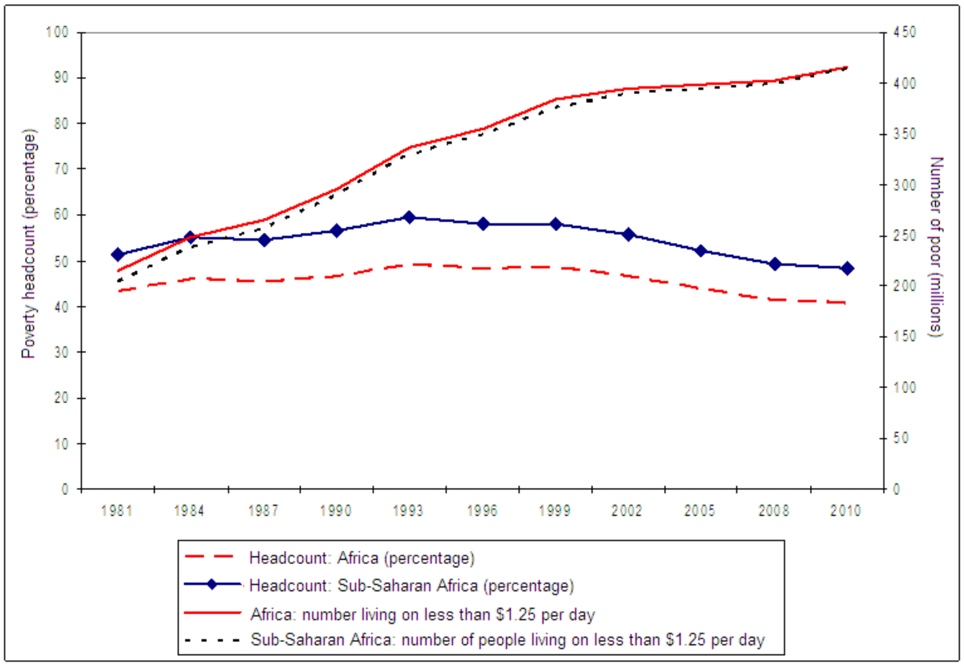
II. Assessing progress in the social dimensions of NEPAD

A. Poverty eradication

4. Despite impressive economic growth, progress in poverty eradication in Africa continues to be much slower than in other developing regions. The proportion of people living on less than $1.25 per day in Africa declined from 46.8 per cent in 1990 to 40.8 per cent in 2010. In sub-Saharan Africa, the poverty headcount also declined, from 56.5 per cent to 48.5 per cent during the period 1990-2010. In comparison, the poverty rate in the developing world fell by more than half during this period. Despite the decline in the proportion of the extreme poor, the absolute number of the extremely poor increased in Africa as a whole as well as in sub-Saharan Africa (see figure), a trend unique to the continent.

5. The increase in the number of the poor in sub-Saharan Africa has translated into a jump in the subregion's share of the world's extreme poor from 15.2 per cent in 1990 to 34.1 per cent in 2010. The only other developing region with a similar increase was South Asia.

Number and proportion of people living on less than US$ 1.25 per day in Africa and sub-Saharan Africa, 1981-2010



Source: World Bank, *PovcalNet database*.

6. The experience of poverty reduction in some of Africa's fastest-growing economies shows that growth alone is not sufficient to eradicate poverty. While Angola, the Democratic Republic of the Congo, Ethiopia, Ghana, Liberia and Mozambique were among the 10 fastest-growing economies in the world for the period 2000-2010, their combined poverty headcount stood at 59.9 per cent in 1990 and 51.4 per cent in 2010. Over the same period, the number of poor in those countries increased from 75.2 million to 112.9 million. While these countries housed 19.9 per cent and 21.7 per cent of Africa's population in 1990 and 2010, respectively, their share of Africa's poor rose from 25.4 to 27.2 per cent over the period. Of these six economies, only Ghana and Ethiopia have been able to meet the goal of halving the proportion of the population living on less than $1.25 per day.

7. Several African countries have leveraged the expanded fiscal space, following the recent commodity boom, to step up poverty reduction efforts. Within this fiscal space, countries can continue to invest in poverty reduction programmes. However, for Africa's poor countries, the relative cost of ending extreme poverty and hunger as a proportion of gross domestic product (GDP)[1] exceeds 2 per cent with that proportion, ranging from 1.4 per cent in Mauritania to 18.1 per cent in Malawi. The cost is also large even for resource-rich countries, ranging from 2.6 per cent of GDP in Angola to 7.6 per cent in Nigeria.[2]

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[1] Purchasing power parity (PPP) (constant 2005 international dollars).

[2] Andy Sumner, *From Deprivation to Distribution: Is Global Poverty Becoming a Matter of National Inequality*?, *IDS Working Paper*, vol. 2012, No. 394 (Brighton, United Kingdom, Institute of Development Studies, June 2012).

8. The numerous challenges faced by poor countries require continued international support, particularly official development assistance (ODA), debt relief and increased foreign direct investment (FDI). Decisions taken by international financial institutions and other donors to cancel or restructure debt through the Heavily Indebted Poor Countries and the Multilateral Debt Relief Initiatives have resulted in a decline in the number of countries at high risk or in debt distress, from 18 to 8 during the period 2006-2013.

9. The depth and severity of poverty in the region remain entrenched in rural areas and among vulnerable and disadvantaged social groups. The infrastructure to which Africa's rural dwellers, women, persons with disabilities, youth and the urban poor have access is more likely to be poor or inadequate, their asset base is likely to be weak and their decent work opportunities are likely to be limited. Even among those who are already employed, high levels of informality and poor working conditions result in low wages and insecurity. This creates poverty traps from which escape is very difficult. Poverty rates also remain high in fragile and conflict-affected States and in countries with weak state capacity to address market failures, improve the quality of service delivery, design better social policies, fight corruption, or raise and allocate the resources necessary to finance development activities. It is therefore imperative to continue to tackle poverty in its various manifestations.

B. Ensuring food and nutrition security

10. Africa remains a net food importer despite vast agricultural resources. In 2011, cereal production in sub-Saharan Africa stood at 1,361 kilograms per hectare of harvested land, up from 1,131 kilograms per hectare in 2000. Important as this improvement may be, it is still insufficient to meet the growing food requirements of the subregion.

11. Sub-Saharan Africa will not meet the target of halving the proportion of people suffering from hunger by 2015. Despite modest progress in reducing levels of undernourishment in recent years, the region still has the highest prevalence of undernourishment in the world. *The State of Food Insecurity in the World 2013: The Multiple Dimensions of Food Security*[3] estimates that 222.7 million people in sub-Saharan Africa (or 24.8 per cent of the total population) were undernourished during 2011-2013 (p. 10).

12. Sub-Saharan Africa's share of the world's hungry increased from 17.0 to 27.0 per cent between 1990-1992 and 2010-2012, mirroring the sharp increase in the subregion's share of the global poor. The absolute number of food-insecure people in the subregion will increase from 357 million in 2012 to 411 million in 2022, despite an anticipated fall in the share of food-insecure people from 42 to 38 per cent.[4] In Northern Africa, food security challenges are projected to remain largely unchanged over this period.

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[3] Rome, Food and Agriculture Organization of the United Nations, International Fund for Agricultural Development, and World Food Programme, 2013.

[4] Stacey Rosen and others, "International Food Security Assessment, 2012-22", Outlook No. GFA-23 (Washington, D.C., United States Department of Agriculture, Economic Research Service, July 2012).

13. Domestic food production has remained relatively low owing to a number of constraints. Key among them is a weak domestic policy environment and weak institutions, domestic price distortion and developed-country agricultural subsidies, inadequate international support for agriculture, low investment in research and development on staple food crops, low levels of land utilization, poor irrigation, and insufficient use of fertilizer and modern farming technologies. The situation is further compounded by post-harvest losses and climate change. This is worsening the intensity of food and nutrition insecurity in vulnerable communities, particularly those whose members live in rain-fed or drought-prone areas such as the Horn of Africa and the Sahel region.

14. Sustained improvements in agricultural productivity therefore remain essential for the development of Africa and for achieving the Millennium Development Goals. Since the continent's economy and employment structure are dominated by agriculture, growth in agriculture is much more effective in reducing poverty than growth in any other sector. The agricultural sector has shown promise: it grew by 3.4 per cent per year over the period 2001-2010. This growth rate was above that of Africa's population, which was 2.5 per cent. However, as Africa's population is projected to grow at 2.3 per cent per annum in the next decade, demand for agricultural commodities will continue to increase.

15. Rectifying this situation requires pragmatic and concerted public and private efforts to boost agricultural productivity, particularly among smallholder farmers. Investments must be made in climate-smart agriculture and in bolstering capacity and the resilience of farmers to climate change and food price volatility shocks. Scaling up social protection systems will further strengthen resilience and bolster the livelihoods of poor and vulnerable households. Sustained political commitment is required to scale up public investments in agriculture in line with the African Union Maputo Declaration on Agriculture and Food Security in Africa[5] as well as to attract private investments in agriculture, improve the quality and quantity of rural extension services and ensure that smallholder farmers have access to critical inputs, credit and markets.

16. Public-private partnerships in support of regional initiatives, such as Grow Africa, the New Alliance for Food Security and Nutrition, and the Global Agriculture and Food Security Programme (GAFSP), have been launched as a means to strengthen the implementation of the Comprehensive Africa Agriculture Development Programme (CAADP) and increase private sector investment in support of CAADP. Individual countries are also pursuing policies that foster agricultural entrepreneurship among women and youth. Policies that emphasize value addition in horticulture, food processing and packaging are strengthening rural economies and improving livelihoods. Countries are also improving food supply by increasing efficiency and best management practices as well as tackling the massive food losses that occur as a result of poor or inadequate storage.

17. Africa's efforts to eradicate extreme poverty and hunger and use the environment sustainably increasingly depend on how countries govern access to land, fisheries and forests, at a time when demand for land from international investors is at an all-time high. For a large majority of the continent's rural poor, access to land, fisheries and forests constitutes an important means of securing food

[5] A/58/626, annex I, Assembly/AU/Decl.7 (II).

and shelter. Hence, initiatives aimed at improving land governance such as the African Union Commission/Economic Commission for Africa/African Development Bank Land Policy Initiative are particularly welcome. These efforts are being complemented by initiatives such as the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security,[6] endorsed by the Committee on World Food Security.

C. Creating productive employment opportunities

18. Translating the positive growth in Africa into improved opportunities for productive employment and decent work has shown promise. Despite the negative impacts of the global financial and economic crisis, austerity measures in the eurozone, and civil unrest in Northern Africa, the region has managed to sustain growth, increase employment and raise productivity. The employment-to-population ratio has remained strong, particularly in sub-Saharan Africa, with a ratio of 65.1 per cent.

19. Many Governments of Africa have chosen to focus on employment creation, through the launching of employment strategies such as public works programmes. However, an estimated 7 million to 10 million jobs will have to be created each year in order for employment to keep pace with population growth on the continent. In addition, the informal economy, vulnerable employment and working poverty continue to dominate the labour market.

20. *Global Employment Trends 2013: Recovering from a Second Jobs Dip*[7] estimates that there were 247 million workers in vulnerable employment in sub-Saharan Africa in 2012, up from 185 million in 2000 and 147 million in 1991. The International Labour Organization (ILO) classifies the majority of African workers as near poor (living on between US$ 2 and US$ 4 per day), moderately poor (living on between US$ 1.25 and US$ 2 per day) or extremely poor (living on less than US$ 1.25 per day). In Northern Africa, these classes of workers made up an estimated 39 per cent of the employed in 2011, with the greatest proportion (28 per cent) being near poor. In sub-Saharan Africa, these classes of workers constituted 85.9 per cent of the employed, with the greatest proportion (41.7 per cent) being extremely poor.

21. The seeming disconnect between robust growth and the creation of quality jobs has much to do with the role of the agricultural and extractive sectors in Africa's economic development. Little progress has been made in linking these primary sectors with value-added activities in manufacturing. Consequently, agriculture remains the main source of employment, while the capital-intensive nature of the extractive sector limits its ability to absorb labour. The contribution of the services sector to growth has also been increasing even though productivity and wages remain low.

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[6] Food and Agriculture Organization of the United Nations, document CL 144/9 (C2013/20), appendix D.

[7] Geneva, International Labour Office, 2013.

D. Education and health

22. The New Partnership for Africa's Development continues to press for smart and sustained investments in social policies that prioritize improvements in health, education and skill development outcomes. Such investments will ensure not only that the education and skills of African workers contribute to overall productivity increases, but also that the labour force keeps up with the processes of structural change and globalization.

23. Many African countries have performed very well in improving education coverage over the past decade, and are moving forward beyond a focus on access alone to ensuring equitable access and improved quality. African countries have deployed a number of strategies which include eliminating schools fees, providing subsidies, teacher training and disseminating information to parents on returns to schooling (particularly provision of information that links education to higher earnings and improved child and maternal health).

24. Primary enrolment reached 77 per cent in sub-Saharan Africa in 2011 and 97 per cent in Northern Africa. However, in 2011, 32 million more children remained out of school in sub-Saharan Africa than in 2000. Progress towards universal enrolment has actually been quite varied across the continent. In 2010, net primary enrolment ranged from a low of 34.9 per cent in Eritrea to a high of 98.7 per cent in Rwanda. The region also continues to face challenges with respect to primary school completion. Although the region started out farthest behind, average primary completion increased sharply, jumping from 54 per cent in 2000 to 71 per cent in 2010. However, progress has since slowed. Between 2010 and 2015, the completion rate is expected to have an average annual increase 2.3 times less than that of the prior decade.

25. Educational quality, persistent gender gaps in schooling and high dropout rates compound the challenge of improving education. Spending per child as a fraction of GDP remains low in many countries. Student-teacher ratios also remain high. Of 38 African countries with available data, 13 had literacy rates above 90 per cent, while 15 had literacy rates below 75 per cent. While literacy outcomes are partially a function of completion rates, many children are completing primary school without basic numeracy and literacy skills. These issues carry over to the secondary and tertiary levels of education, presenting marked challenges for access to decent work and improved labour productivity.

26. Progress in health has also shown promise. Life expectancy increased by 5.5 years between 2000 and 2012, after stagnating from 1990 to 2000 as a result of the HIV/AIDS pandemic. Reductions in child mortality have also shown promise on the continent. From 1990 to 2011, the under-five mortality rate in Africa decreased at an average 2.2 per cent per year. However, the progress has been uneven and varied. Eleven countries reduced child mortality by 60 per cent over the period, while 12 countries saw increases. Similar progress (and disparities) has also been seen in infant mortality and maternal mortality, as some countries have focused health interventions on the improvement of neonatal and prenatal care and early childhood immunizations, in an effort to speed up progress towards achieving the Millennium Development Goals. In addition to strong direct investments in health care, the provision of supplementary nutrition and education have been important in

improving health outcomes. In particular, better education for women has led to improvements in their health outcomes as well as in those of their children.

27. Africa also continues to make progress in combating HIV/AIDS, malaria, tuberculosis and other infectious diseases. The *World Malaria Report 2012*[8] notes that African countries have been able to cut malaria deaths by one third over the past decade. In contrast, malaria mortality rates at the global level declined only by 25 per cent. Such progress is the result of the efforts being undertaken by African countries and their development partners in the Roll Back Malaria Partnership and other health initiatives. Malaria-endemic countries have taken critical steps to further reduce malaria mortality rates. Nigeria, which, together with the Democratic Republic of the Congo, accounts for over 40 per cent of the estimated total of malaria deaths globally, has put in place an oil subsidy reinvestment fund to help finance national health priorities.

E. Gender equality

28. Gender equality remains a central focus of efforts to achieve Africa's social, economic and political goals. Much of the income and non-income inequalities experienced within the region are significantly shaped by patterns of gender inequality, lack of women's empowerment, and lack of equal opportunity of access to education, health care and credit. The African region has made much progress towards achieving gender equality and the empowerment of women, particularly in removing barriers to women's economic and civic participation, and improving access to education and health services. Major challenges remain, however, in regard to increasing women's participation in the formal sector.

29. Many countries have done well in increasing the female-to-male ratio across all levels of education, especially the primary level. Of the 49 countries with available data, the female-to-male ratio in primary-level enrolment has reached or surpassed parity in 17 countries and an additional 28 are very close to achieving those levels, with 8-9 girls enrolled for every 10 boys. At the secondary and tertiary levels, progress has been especially great in Northern Africa, with the gender parity index having risen by 22 and 43 percentage points, respectively, from 1990 to 2011, to reach 0.98 and 1.07. In some countries, gains in female education have outpaced those in male education.

30. The educational gains made by women have not always translated into increased labour-market opportunities. ILO estimates that in Northern Africa in 2012, the female labour-force participation rate was only one third that of men (24.4 per cent), while the unemployment rate for women stood at 17.2 per cent compared with a rate of 7.9 per cent for men. In addition, the share of women in wage employment in the non-agricultural sector has gone almost unchanged since 1990. Across the continent, women have maintained a much higher share of vulnerable employment. In Northern Africa in 2012, 61.2 per cent of jobs held by women were in vulnerable employment, compared with 35.5 per cent of jobs held by men. In sub-Saharan Africa, the proportions were 84.9 per cent and 70.6 per cent, respectively.

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[8] Geneva, World Health Organization, 2012.

31. Recognizing the seminal contribution of women to food production and family well-being is also an important factor in achieving equality. For example, failure to protect the rights of women and improve the governance of tenure of land, fisheries and forests can compound gender inequality and worsen poverty. Similarly, unpaid care work makes up a significant part of women's time use in Africa. Taxation policies and social programmes that recognize and compensate for the role that women play in caregiving can help address gender inequalities. Providing public care services can also open up time-use opportunities for women, allowing them to pursue education and formal wage-earning careers.

32. With regard to decision-making power, the proportion of seats held by women in parliament in Northern Africa rose from 3 per cent in 2000 to 17.6 per cent in 2013 and from 13 to 21 per cent in sub-Saharan Africa. The introduction of voluntary and legislated quotas has been a significant factor fuelling these improvements.

III. Opportunities for the attainment of Africa's social development goals

33. To further advance their social development goals, African countries must take advantage of the convergence of several positive developments, including strong growth and improved macroeconomic conditions, increased flows of remittances and FDI, a huge youth population, rising levels of educational attainment, rapid urbanization, strong investment in critical infrastructure projects, and improved access to information and communications technologies. When combined with new and existing partnerships and innovative resource mobilization efforts, these developments can be leveraged to further spur the economic transformation of economies and raise living standards.

A. High and inclusive growth and structural transformation

34. African economies are growing at an estimated average of 5 per cent in 2013 and are projected to grow at a rate of 5.3 per cent in 2014.[9] With almost one third of the region of sub-Saharan Africa growing at a rate of more than 6 per cent per year, it is now the second fastest-growing region in the world, trailing only developing Asia. Nevertheless, economic growth at current levels is insufficient to halve the proportion of people living on less than $1.25 per day by 2015. Currently, Africa's income growth elasticity of poverty is estimated to be about -0.7 compared with -2.0 in the rest of the developing world (excluding China).[10] ECA estimates that Africa needs to achieve a growth rate of at least 7 per cent per year on average in order to halve the 1990 level of poverty by 2015.

35. To reduce poverty at a much faster pace and attain social development goals, African countries not only have to sustain high rates of growth, but must also implement transformative social and economic policies which can foster structural change and ensure that growth is inclusive, equitable and sustained. This process of

[9] African Development Bank, United Nations Development Programme and Economic Commission for Africa, Organization for Economic Cooperation and Development, *African Economic Outlook 2013: Structural Transformation and Natural Resources* (Paris, 27 May 2013).

[10] Luc Christiaensen, Punam Chuhan-Pole and Aly Sanoh, "Africa's growth, poverty and inequality nexus: fostering shared prosperity" (World Bank, 2013), mimeograph.

structural transformation entails continuous changes in the structure of the economy which result in industrial diversification, technological innovation and upgrading and new economic activities.

36. For structural transformation to have a positive impact on wealth creation, poverty and inequality, the speed at which it occurs is as important as how its benefits are distributed across society. The pursuit of higher economic growth through structural change should not entail neglect of issues of social equity and justice. Instead, structural change should be accompanied by the creation of full and productive employment and decent work for all and lead to a rise in incomes and the absorption of growing populations.

37. In order to effect social and economic transformations, African countries can focus on a number of policy areas, all related to promoting inclusive economic development and building human capital.

38. First, rural development policy is pivotal in effecting positive social and economic change in Africa. Fostering the prosperity of smallholder agriculture, small and medium-sized enterprises and cooperatives is integral to this strategy. Countries should also prioritize infrastructure development, with a particular focus on roads, irrigation systems and electricity. This will enable farm products to be brought to the market and improve the rural non-farm economy. The ensuing decline in subsistence agriculture is likely not only to increase the number of workers available for hire in non-agricultural sectors, but also to reduce incentives for couples to have large families. Budgetary resources should be also set aside for expanding education and health services in rural areas, including reproductive health. These investments will help ease the transition of people leaving subsistence farming to enter into the formal labour market.

39. Second, countries should vigorously promote economic diversification, new services and technological capabilities. Given the role of commodities in driving Africa's growth, there is increased scope for countries to leverage their rich natural resources and pursue commodity-based industrialization, particularly in labour-intensive industries. This will serve as a launching pad for diversification of economies, promote value addition and strengthen forward and backward linkages. Industrial development policies can target some of the light manufacturing that will move out of major emerging countries as these economies move up the global value chain and as labour costs rise.

40. Third, efforts should continue to be made to attract private sector investment and FDI. As African countries continue to invest in human resources development and improve macroeconomic governance, they should be able to position themselves to shift to knowledge-based industries and to increase the size of domestic markets.

41. Fourth, accelerating rates of economic growth is important in countries with slow or modest growth. The additional fiscal policy space provided by high rates of economic growth should allow countries to scale up investments in agriculture, health and education, skills development, provision of quality public infrastructure services and social protection.

42. Fifth, countries will also have to develop and implement population and health policies that are in line with the Maputo Declaration on Malaria, HIV/AIDS,

Tuberculosis, and Other Related Infectious Diseases (ORID)[11] and ensure universal access to sexual and reproductive health services and reproductive rights.

B. Commodity-based industrialization, jobs and social development

43. The exploitation of the natural resource sector in Africa has, for many years, attracted FDI in capital-intensive enclave sectors that did not spur structural transformation. With little benefits or value addition, opportunities for job creation are being lost to countries that are in a position to add value to the continent's primary exports. In addition, a disproportionately large share of income generated by extractive industries is repatriated out of the continent. Despite these challenges, there is renewed hope that the robust post-2000 growth trajectory of Africa's economy will present the region with a real opportunity to transform its economy, improve the lives of people and, in the process, reduce Africa's marginalization within the world economy.

44. As underscored at the Sixth Joint Annual Meetings of the Conference of African Ministers of Finance, Planning and Economic Development of the Economic Commission for Africa and the African Union Conference of Ministers of Economy and Finance, held in Abidjan on 25 and 26 March 2013, commodity-based industrialization has become an imperative for Africa's development. Growth that is fuelled by adding value to primary commodities enhances backward and forward linkages within the domestic economy, generates revenue and provides additional opportunities for creating more and better jobs. It also contributes to the diversification of exports and the knowledge and technological skills base of local and subregional economies. Furthermore, it reduces the exposure of African economies to commodity price volatility in global markets and the resulting economic instability.

45. Similarly, resource-poor countries should aim at changing the structure of their economies by venturing into innovative non-resource based economic activities and services linked to global value chains, which includes attracting global light manufacturing to their shores. An estimated 85 million to 100 million labour-intensive jobs are likely to move out of China in the coming decade owing to the probable disappearance of its competitive advantage relative to high and other upper middle income countries. There is already an exodus of labour-intensive manufacturing industries, which is expected to gather momentum over the coming decade. This wave provides lower-wage and labour-abundant African countries with new opportunities to put in place economic development strategies and policies that will attract such jobs to their shores. The main goal of these strategies should be to facilitate the development of new industries that are stable and can enhance the dynamic comparative advantage of the local economy.

46. Africa's efforts should be complemented by commensurate responses from developed countries. In particular, trade agreements with developed countries that include duty-free and quota-free access to their markets should allow African countries to export higher-value products without having to face prohibitive tariffs. For their part, African countries also need to address infrastructure constraints and bottlenecks, and boost local skills and technological capabilities, as well as

[11] A/58/626, annex I, Assembly/AU/Decl.6 (II).

strengthen institutional and productive capacities which would allow them to take advantage of the various trade preferences extended to them. A successful completion of the Doha Round of World Trade Organization negotiations will further improve market access for African countries and hence enhance the role of trade in job creation and poverty eradication efforts.

C. Harnessing a potential demographic dividend for social development

47. Africa’s average annual population growth rate of 2.5 per cent remains the highest in the world. However, declining fertility rates are prompting various demographic changes across the continent. One set of demographic changes under way involve the changing age structure, which is resulting in an unprecedented increase in the number of young people. United Nations estimates indicate that of the 1.03 billion people on the continent, 34.6 per cent are between the ages of 15 and 34. This youth bulge offers African countries a historic opportunity to derive a demographic dividend — a unique window of opportunity to experience accelerated economic growth and social development — by harnessing the potential of the changing age structure. Dividends can include economic gains, improved workforce quality, education and health outcomes, healthier families and improved cognitive development of children during early childhood.

48. However, a demographic dividend will not create itself: African Governments must commit themselves to increasing and sustaining public investments that foster structural transformation and give particular attention to strengthening the productive capacity of youth. Strategies should target the provision of high-quality education and health services, skills development, reduction of maternal and child mortality and promotion of early childhood education. There should also be strategic interventions designed to foster youth entrepreneurship and self-employment, and enhance labour-market education matching. In particular, Africa’s young entrepreneurs need to have access to the finance required to start micro, small and medium-sized enterprises. Financial inclusion strategies will thus be crucial. Information and communications technologies and social media can be instrumental in this regard. Entrepreneurial efforts led by young people not only create jobs and improve livelihoods, but also foster greater social cohesion and inclusion, and empower disadvantaged social groups.

D. Rapid urbanization

49. The realization of the social dimensions of the New Partnership for Africa’s Development together with Africa’s economic growth is closely linked to the rapid transformation of its urban landscape. Africa is expected to urbanize more rapidly than other regions over the coming decades. The proportion of urban dwellers is expected to reach 48 per cent in 2030 and 58 per cent in 2050. As the number of urban dwellers increases, as reflected particularly in the growth of the middle class, opportunities abound to harness the power of urbanization and transform economies and raise living standards. Cities have been known to benefit service provision and economic prospects, as they allow for concentration of infrastructure and economic

activities and for greater service efficiency as a result of agglomeration and scale economies.

50. Cities in Africa already generate approximately 55 per cent of the continent's total GDP. The higher per capita incomes of Africa's rising urban middle class are likely to lead to the growth of labour-intensive light manufacturing and service industries. Some estimates indicate that as many as 200 million Africans will enter the consumer goods market by 2015.[12] Besides boosting the urban consumption share of GDP, urban growth allows for closer interactions within a skilled and diverse labour force engaged in sharing its knowledge and innovations. Rapid urbanization also generates demand for water and sanitation services, electricity, food, land and education and health services. Though this demand for services puts pressure on local government budgets, it creates opportunities for job growth through the establishment of new enterprises and the expansion of the delivery and productive capacity of existing firms. Improved planning and management of cities and towns also offers opportunities for addressing climate change, environmental degradation and slum growth.

E. Progress in social development enablers

1. Improving livelihoods through infrastructure development

51. African countries continue to prioritize investments that tackle bottlenecks of infrastructure, which includes regional and continental road networks, energy, information and communications technologies, water supply and sanitation. Africa's future growth will not be inclusive and of high quality if the infrastructure deficit remains high. The African Development Bank estimates that inadequate infrastructure holds back economic growth on the continent by at least 2 per cent per year, and reduces the productivity of the private sector by as much as 40 per cent. This translates into $40 billion in lost GDP every year. Investing up to US$ 93 billion annually, as called for by the Programme for Infrastructure Development in Africa, is therefore of critical importance. Infrastructure development will deliver on Africa's social development goals by boosting economic growth through improved trade and deeper regional integration.

52. Financing vehicles for infrastructure development, such as the African Development Bank's proposed Africa50 Fund, offer an important solution to Africa's infrastructure challenges using Africa's own resources. Similarly, ongoing discussions led by the NEPAD Agency on formulating a strategic framework aimed at developing and building infrastructure in all sectors of economic development will accelerate structural transformation and job creation. In addition, new initiatives such as the $7 billion Power Africa initiative of the Government of the United States of America are being launched. Besides doubling access to power in sub-Saharan Africa, the Power Africa initiative will further boost regional efforts to achieve universal electricity access by 2030 as well as attract further investment, grow the economy and create jobs. ODA from the major economies of the Group of Eight (G8), the European Union, Japan, China, India and other large emerging economies is also helping to improve Africa's infrastructure. However, given the

[12] See http://www.mckinsey.com/insights/economic_studies/africas_path_to_growth_sector_by_sector.

magnitude of Africa's infrastructure challenges and funding gaps, sustained and concerted efforts are required by African Governments in partnership with the private sector, regional economic communities and organizations and international development partners.

2. Macroeconomic reforms

53. Across Africa, economic governance continues to improve, thereby reducing the cost of doing business on the continent. This has helped strengthen the fiscal position and policymaking space of countries. Besides improving the investment climate, improved macroeconomic governance ensures that African countries are better protected from commodity price volatility.

54. However, as countries across the region continue to improve macroeconomic governance, particular attention should be given to putting in place strong systems of transparency and accountability in the management of the extractive sector and land deals, as well as solid and well-regulated financial systems. This will ensure that resource-rich countries are better equipped to collect revenues from multinational enterprises. Such efforts will help fight corruption, stem the illicit flow of resources, and ensure that benefits from the exploitation of natural resources are distributed fairly.

3. Peace and security

55. Maintaining peace and security is vital for Africa's social and economic prosperity and sustainable development. For many decades, national and subregional conflicts have had a debilitating effect on the region's social and economic development aspirations. While there have been setbacks thwarting the development aspirations of people in the Great Lakes region, the Horn of Africa, the Central African Republic, Guinea-Bissau and Mali, the incidence of major conflicts has declined. The majority of African countries today are experiencing a period of stability, which is a necessary precondition for the attainment of social development goals and the creation of sustainable employment opportunities for all.

56. This stability has boosted investor confidence in Africa, as evidenced by the significant flows of FDI to the extractive sectors and agriculture. In 2012, FDI in Africa increased by 5 per cent, reaching $50 billion, despite an 18 per cent drop in global direct investment flows. Besides saving lives and curtailing brain drain, political stability also ensures that economic activity is not disrupted and that critical infrastructure, such as roads, schools and hospitals, is not destroyed by conflict. Stability has also enhanced the participation of the citizenry in national development. Improvements in peace and security in Côte d'Ivoire, Liberia and Sierra Leone have allowed more people to pursue economic and social activities that improve their livelihoods.

4. Democratic reforms

57. Most of the African continent is today under democratic and elected rule. In 2011 and 2012, more than 50 elections, of presidents, members of parliament and other legislators, were conducted on the continent. These elections are a clear indication that democratic reforms are taking root on the continent. However, for these reforms to positively impact people's lives, they should result in improved

accountability and service delivery, especially of clean drinking water and sanitation, electricity, housing and education and health services.

58. To further foster good governance practices and promote peace, stability and socioeconomic development as well as continental integration, African countries continue to voluntarily accede to the African Peer Review Mechanism (APRM). To date, 33 countries have acceded to the Mechanism. Seventeen countries have completed the first review process and have been peer-reviewed by the APR Forum — comprising Heads of State and Government of the participating Member States of the African Union — which constitutes the highest decision-making body within the Mechanism. Ensuring peer review at the highest political level is important for sustaining political commitment to the attainment of NEPAD goals.

59. Key achievements of the Mechanism include opening up the political space for the participation of citizens, civil society and development partners in policy debates. The Mechanism has fostered open, inclusive and participatory dialogue on nationally owned and led development processes. It has strengthened advocacy for good governance and the monitoring and evaluation of commitments that have led to marked improvements in delivery of social services such as water, sanitation and electricity in some countries. The Mechanism has also successfully created a platform for peer learning in Africa, and the sharing of experiences and best practices, and has provided opportunities for policymakers and citizens to hold each other accountable.

IV. Financing for social development and a renewed global partnership for Africa’s development

60. The tools with which to finance Africa’s social and economic development have expanded and multiplied in recent years. Led by efforts to scale up domestic resource mobilization, investing in Africa’s infrastructure, agriculture, education and health continues to attract financing from sovereign wealth funds, FDI and private capital, as well as the issuance of bonds. These capital inflows are being augmented by increased flows from emerging economies.

A. Mobilizing domestic resources for social development

61. Prospects for inclusive, equitable and sustained growth and improved living standards across Africa have become increasingly dependent on the ability of African countries to generate their own development finance. According to *African Economic Outlook 2013*, government tax revenue reached US$ 513 billion in 2011 and accounted for 26.8 per cent of the region’s GDP. Africa’s natural resource extractive industries are also expected to contribute over US$ 30 billion per annum in government revenues in the next 20 years. African countries are also raising essential financial resources by issuing bonds on international capital markets. In 2013, a record $8 billion in United States dollar-denominated sovereign bonds was issued, up from $1 billion a decade ago. Unlike other sources of commercial debt, sovereign bonds give more flexibility to Governments in deciding where they can spend the money, including on social sectors.

62. When combined with other resources such as remittances and pension funds, these locally sourced funds can transform the continent's growth trajectory, and contribute to social and economic transformation. More importantly, these resources provide African countries with a historic opportunity to shift the dialogue away from aid and towards domestically financed inclusive development strategies. Domestic resource mobilization for the achievement of Africa's social development goals is the most effective means of ensuring African ownership of its development priorities. Besides ensuring sustainability, the mobilization of domestic resources also creates policy space, enhances citizen ownership of development priorities and State accountability. In fact, a growing number of donors are emphasizing the need to complement aid with domestic resources.

63. However, the availability of domestic resources is not a sufficient condition for ensuring that key global and national social development goals and targets will be met in any particular country. Resources need to be allocated to sectors that support the attainment of key social development outcomes. Implementation of progressive redistribution policies, including the provision of basic social protection and some form of employment guarantees, is also needed. Furthermore, to secure the fiscal space necessary to guarantee the long-term sustainability of social spending, Governments must strengthen institutions tasked with the responsibility for collecting taxes, rents and other forms of revenue. Along the same lines, greater efforts are required to ensure effective accountability of Governments to all citizens, particularly with respect to distributing the benefits of growth.

64. While Africa's economies continue to grow, most locals do not appear to be benefiting from the natural resources boom, owing partly to illicit financial outflows, tax avoidance, financial transfers and secret mining deals. According to the African Development Bank and Global Financial Integrity, Africa lost between an estimated US$ 597 billion and $1.4 trillion in illicit financial flows between 1980 and 2009. This exceeds ODA inflows into the continent over the same period. Annually, an estimated $50 billion is lost through illicit financial outflows.

65. African countries also continue to lose billions of dollars in potential revenues as a result of the undervaluation of mineral assets as well as transactions conducted by multinational companies between their subsidiaries that shift profits artificially to low-tax jurisdictions. These resource outflows hamper efforts to achieve Africa's social development goals, including the Millennium Development Goals through modalities that include forgone public investment in social development programmes. Illicit financial outflows also increase risk and uncertainty in the domestic economy and, in the process, discourage potentially transformative FDI.

66. In a welcome decision, at the 2013 Lough Erne summit, the Group of Eight most industrialized countries agreed to make extractive industries payments more transparent and to provide support to developing countries in collecting the taxes owed them. Suggested measures include ensuring that multinationals report to tax authorities in jurisdictions where they make their profits and pay the taxes that they owe across the world. Addressing the numerous issues associated with tax evasion and avoidance by multinational corporations will help boost domestic resources available to countries to fund their budgets, and make investments in key sectors.

B. Leveraging remittances for social development

67. The attainment of Africa's social development goals has been negatively impacted by the loss of skilled manpower in various fields which include health, education and the sciences. However, despite the negative effects of the brain drain, many countries have begun to realize the immense potential offered by large diaspora populations for transforming their economies and improving living standards, owing, in large measure, to the fact that migrant remittances have emerged as a major and resilient resource of finance for social and economic development.

68. Remittances have become the continent's most important source of foreign inflows, overtaking ODA and FDI. *African Economic Outlook 2013* notes that remittance inflows to Africa reached $60.4 billion in 2012. In the same year, Africa attracted $49.7 billion in FDI and received US$ 56.1 billion and US$ 28.9 billion in ODA from all donors and the Organization for Economic Cooperation and Development Development Assistance Committee (OECD-DAC), respectively. This trend is expected to continue in the near future. However, these remittance inflows are likely to be underestimated due to lack of remittance data in several countries. Migrants also often send money through informal channels.

69. The private transfers sent by migrants are being used at the household level to reduce poverty, boost the productivity of smallholder agriculture and improve health and education outcomes. Besides raising the incomes of recipient households, remittances sustain aggregate demand and finance investment in infrastructure and other sectors. In the process, they contribute to employment creation and increases in local wages. However, to effectively leverage their potential impact on development, appropriate policies are required to reduce fees associated with money transfer and channel some of the remittances to the productive sector. Innovative policies include the issuance of diaspora bonds and securitization of future remittance flows.

70. The significance of remittances for Africa's development has been recognized at the highest political level. In 2012, the African Union Commission, in partnerships with the European Commission, the World Bank, the African Development Bank and the International Organization for Migration, created the African Institute for Remittances. Its goal is to help countries establish strategies for effectively harnessing the potential development benefits of remittances.

71. The high cost of sending remittances through formal channels remains one of the key challenges to harnessing their potential, particularly in Africa. The cost of sending money to sub-Saharan African countries remains the highest among developing regions and this issue needs to be addressed. Source countries have acknowledged the need to lower the prohibitive costs of sending money. In 2009, the G8 committed to reducing the average cost of sending remittances from 10 to 5 per cent by 2014. In 2010, the Group of Twenty (G20) also committed to significantly reducing the cost of sending remittances, and established the Development Action for Remittances. Similar actions also need to be taken within Africa in order to reduce the cost of cross-border transfers within the region.

C. International support for Africa’s development

72. International support for the implementation of Africa’s social and economic development priorities continues to play a pivotal role in many African countries. Resources mobilized through ODA, remittances, FDI, aid for trade, debt cancellation and restructuring are helping to overcome the fiscal capacity deficits faced by many of the continent’s poor countries. These sources of finance are contributing to job creation, income growth and poverty reduction. Coupled with the increase in revenues from commodity exports and a growing tax base, these developments have allowed Governments to allocate more funds to developing infrastructure, providing essential services and social protection, and undertaking other transformative policies.

73. While the economic dynamism of the continent continues to attract FDI, particularly from emerging economies, not all African countries are expected to attract a significant share of the estimated $54 billion per year that is expected to flow to the continent by 2015. Over 50 per cent of total external flows to the continent are received by only five resource-rich countries — Nigeria, South Africa, Egypt, Morocco and the Democratic Republic of the Congo.

74. As a result of this asymmetrical flow of foreign investment, almost half of African countries continue to rely on aid to finance their development needs. Africa’s traditional donors therefore need to honour their aid commitments as well as cancel or restructure the debts of highly indebted poor countries, particularly those countries at high risk of debt distress. Special attention should also be given to the specific development needs of countries emerging from conflict. Those countries are off track and continue to lag behind most, in terms of the achievement of the Millennium Development Goals. Africa’s development partners must also ensure policy coherence and consistency when it comes to supporting the continent’s development priorities.

75. In 2012, bilateral aid to Africa from OECD-DAC fell by 9.9 per cent to US$ 28.9 billion, following the significant bump in aid that was directed towards some Northern African countries in the wake of the sociopolitical crisis of 2011. Similarly, US$ 26.2 billion was committed as bilateral aid to sub-Saharan Africa in 2012, representing a fall of 7.9 per cent in real terms compared with 2011. Continued economic uncertainty and the debt crisis in the euro zone led many Governments to implement austerity measures and reduce their aid budgets. However, nine DAC member countries actually managed to increase their aid to developing countries in 2012. Recent aid statistics also show that there has been a noticeable drop in aid allocated to the poorest countries, with more development aid now going to middle-income countries.

76. Increasing interest in Africa from the emerging global South is also having a positive impact on Africa’s social and economic transformation. In particular, Africa’s partners from large emerging markets continue to boost trade with the region as well as invest billions of dollars in the natural resource sectors and to build infrastructure on a vast scale. This South-South cooperation is not a substitute for but a complement to North-South cooperation in support of Africa’s development priorities. Initiatives such as the Euro-Mediterranean Partnership with the Maghreb countries are also attracting additional FDI, further boosting growth and job creation.

77. However, increased foreign investment brings new challenges. In some cases, opening up key sectors such as telecommunications, banking and retail without adequate regulation and safeguards has destroyed local industries and jobs. Hence, countries must strive to strike a delicate balance in this regard.

V. Conclusion and recommendations

78. In light of the progress achieved so far, remaining challenges and new opportunities, the policy choices that Africa's leaders make will significantly determine the pace at which their countries achieve regionally and globally inspired development goals. There are opportunities at the national, subregional and continental levels to significantly improve living standards while ensuring that Africa's growth is equitable, inclusive and sustainable. In that regard, the Commission may wish to consider the following recommendations:

- **Countries should mobilize greater political will as well as enhance their financial commitment to developing and nurturing an educated, healthy and skilled population which can drive a social and economic development agenda that is inclusive, equitable and sustainable.**

- **Public and private support to agriculture should be scaled up in order to reduce poverty, create jobs and enhance food and nutrition security. Unlocking the potential of smallholder agriculture and the rural non-farm economy requires improved access to rural infrastructure, irrigation, farm inputs and credit.**

- **To create wealth and employment as well as reduce poverty, smart and pragmatic policies which accelerate resource-based industrialization and structural transformation should be vigorously pursued and implemented. Such policies should foster diversification into higher-value agricultural, mineral and timber-based products.**

- **To foster greater social inclusion and reduce poverty and inequality, job creation should be scaled up to allow African economies to absorb a growing youth bulge and create decent jobs for all segments of society. Policies that reduce gender inequality and promote the empowerment of women, persons with disabilities, youth, older persons and indigenous groups should be designed and implemented at all levels — local, national and continental.**

- **African countries should continue to strengthen state and institutional capacity to undertake dynamic long-term planning, and the coordination of economic activity with a view to collecting more robust data and improving statistical systems in order to better measure and monitor progress.**

- **Countries should urgently develop legislation that governs land acquisition by foreign investors in order to protect the livelihoods, culture and identity of rural and vulnerable communities. Such legislation should prevent speculative land acquisition and protect the land, water and forest-use rights of affected communities. Acquired lands should contribute to employment creation and national food security.**

- **To scale up financing for development, countries should formulate pragmatic policies designed to effectively leverage all sources of financing, including domestic resources, ODA, FDI and remittances. Efforts should also be made to tackle illicit financial flows. Development partners should complement such efforts through maintaining ODA commitments to the resource-weak economies and those falling behind in their socioeconomic indicators, debt cancellation and restructuring and boosting aid for trade.**