



Discussion Draft

**FINANCING DEVELOPMENT IN AFRICA:
THE GROWING ROLE OF NON-DAC DEVELOPMENT
PARTNERS**

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I. Introduction

Non-traditional players have been involved in supporting Africa's development efforts going back more than three decades. In the mid-1970s, China had aid programs in more countries in Africa than the United-States, and Arab donors accounted for more than a quarter of overall assistance to sub-Saharan Africa during the 1975-85 period. Nevertheless the role of traditional donors became more important during the 1990s, with DAC donors accounting for more than 90 percent of official development assistance received by sub-Saharan Africa during the 1995-2005 period.

That picture is changing rapidly as a result of a resurgence and broadening of non-traditional sources of official financing in sub-Saharan Africa. This new financing from non-traditional partners is diverse in its sources and characteristics and in many respects markedly different from the financing provided by traditional donors. Whereas most traditional donors have moved primarily to grant financing, non-traditional development partners provide the bulk of their financing in the form of concessional or semi-concessional loans. In contrast to traditional donors who are more focused on budget support, human development and social infrastructure, the bulk of financing from non-traditional partners is in support of physical infrastructure development, often in oil and mineral exporting countries. The modalities of engagement are also markedly different with no recourse to conditionality but sometimes with other restrictions that are no longer used by traditional donors. These differences in motivations, conditions and modalities have sparked a new debate about the role of new development partners in Africa. That debate has been constrained by a good understanding of the precise nature of the changing engagement.

To fill that gap this paper attempts to provide as complete a picture as possible of the changing role of non-traditional development partners in sub-Saharan Africa from available information sources, and from that review draw some implications for the current aid architecture. The next section examines the development context and financing needs facing sub-Saharan Africa. Section III assesses the assistance from traditional donors, and in particular progress on the quantity and quality of aid. Section IV looks at the growing role of non-traditional development partners in the continent on the basis of the fragmentary evidence that is available. Section V looks at the likely future directions on financing from non-traditional sources and the issues that they are likely to raise.

II. Development Context and Financing Needs

Sub-Saharan Africa is at a crossroads in its development transformation. After two decades of stalled progress, growth has accelerated in the continent since the mid-1990s. This trend has continued in this decade, with GDP growth averaging almost 6 percent since 2005. Moreover the improved growth performance has been broad based across resource rich countries, coastal countries and landlocked countries (Figure 1). Around 16 countries have recorded sustained growth of 5 percent or more since the mid-1990s (Figure 2). Recent analysis suggests that this growth acceleration is indeed a turning point, reflecting not just

favorable terms of trade and greater aid, but improved policies and economic fundamentals and fewer conflicts.¹ What is also encouraging about the most recent period is the acceleration in investment. Fixed investment expanded by 15 percent per year over the past four years. Savings performance has improved even more strongly led by a sharp turnaround in the fiscal position of most countries (Figure 3).

These improving trends have been mirrored in the external financing picture as well (Table 1). Exports of goods and services have trebled in dollar terms between 2000 and 2007. Remittances have more than doubled during the same period. Grants from official donors increased from \$13 billion in 2000 to \$31.4 billion in 2007 as a result of increases in official development assistance and a switch from concessional loans to grants by many donors. Foreign direct investment increased three-and-a-half fold between 2000 and 2007, and portfolio equity flows more than doubled during the same period. While net official borrowing has remained relatively flat, private debt flows have increased substantially with a sharp spike in 2007. Altogether net private capital flows increased from \$7.1 billion in 2000 to \$42.8 billion in 2007, surpassing official development assistance including debt relief.

Despite this impressive turnaround in Africa's growth performance and external financing position, the development challenges remain daunting requiring large financing needs including for concessional resources. On its present trajectory, sub-Saharan Africa is the only part of the developing world that will not meet the millennium development goal on halving poverty by 2015, and that too by a large margin (Figure 4). Africa is also lagging the rest of the developing world on virtually all of the other millennium development goals. Closing this gap will require sustained high growth and continued expansion in the provision of health, education and other services. Both of these goals in turn will require a significant acceleration in investment, especially for physical and social infrastructure.

Sub-Saharan Africa lags significantly behind other low income countries on almost all infrastructure measures in terms of coverage and quality (Table 2). These deficiencies are pushing up production costs, and impede investment and exports (Table 3). There are also large inequities in access to basic services including between urban and rural areas. The region's unmet infrastructure needs are estimated at \$22 billion a year (5 percent of GDP) and an additional \$17 billion for operations and maintenance. These estimates do not include additional financing needs that would be incurred for climate mitigation and adaptation measures. Although there is considerable uncertainty on the precise magnitudes to address the climate change agenda, there is no doubt that these additional financing requirements will be very large.

In addition, sub-Saharan Africa remains highly vulnerable to external shocks. A recent analysis of growth volatility and shocks suggest that there has been a decline in output volatility since 1990; but this is principally as a result of internal factors including greater

¹ Go, D. and J. page (2008), *Africa at a Turning Point*, the World Bank, Washington DC

macroeconomic stability.² Although there has been some improvement in the external environment since 1990, external factors—including the international business cycle, commodity prices, interest rates, aid flows and natural disasters—are now the primary source of macroeconomic instability. The recent increases in food and fuel prices highlight the vulnerability of African countries. IMF staff estimates indicate that while there have been large positive gains for the 7 oil exporters, for the majority of African countries there is a substantial negative shock of an order that is larger than any since the early 1980s (Table 4). To the extent that some of the price increases represent a secular trend the negative impact will be sustained unless offset by improved agricultural performance which will require an expansion of irrigated areas as well as higher productivity in rain-fed areas.

Africa will only be able to address its longer-term development challenges through sustained efforts on domestic resource mobilization. As the recent experience shows, there is also considerable potential for harnessing private capital flows especially equity flows. But the scale and nature of Africa's development challenges also require major increases in official financing from both traditional and non-traditional sources.

III. Assistance from Traditional Donors

The twenty-two members of the OECD Development Assistance Committee have accounted for the predominant share of the official development assistance (ODA) provided to Africa, both through their own bilateral channels and indirectly through the multilateral channels including the International Development Association (IDA) arm of the World Bank Group, the African Development Fund of the African Development Bank, UN agencies and related mechanisms including the Global Fund for HIV AIDS, Malaria and Tuberculosis.

Aggregate ODA which includes both grants and loans of sufficient concessionality, stagnated in the 1990s. Since 2000 there has been a significant increase in ODA with a near doubling between 2000 and 2006 (Figure 5). ODA to sub-Saharan Africa which has accounted for roughly 40 percent of overall ODA has followed the same trend increasing from less than \$20 billion in 2006 dollars in 2000 to \$40 billion in 2006.

These trends appear to validate the commitments that were made by DAC donors in Monterrey and at the 2005 summit to substantially increase their aid, and in particular to double aid to Africa by 2010 from the estimated level of \$25 billion in 2002. A closer examination of the components of official development assistance indicates that the increase in aid has been more apparent than real.

² C. Raddatz (2008), "Have External Shocks Become More Important for Output Fluctuations in African Countries?", in D. Go and J. Page (2008)

As shown in Figure 6, a very large proportion of the increase in recent years has been due to debt relief, technical cooperation, humanitarian assistance and food aid. Although all of these are valid outlays in their own right, although with some overstatement in the way that debt relief is counted, none of them translate into resources that can be used for projects and programs in the recipient countries. When these items are netted out, “country programmable aid” amounted to only \$15 billion of the \$40 billion of ODA to sub-Saharan Africa in 2006, only modestly higher than what it was in 2002. In contrast, although net ODA to Africa fell in 2007 because of reduced debt relief, country programmable aid increased to around \$ 18 billion. A central issue going forward therefore is what happens to overall ODA to Africa as debt relief is phased out. Indeed overall ODA to Africa fell by almost \$10 billion in 2007 as a result of a drop in debt relief. Consequently replacing debt relief by “country programmable aid” must be a key goal of DAC donors if the \$50 billion target for 2010 is to be met. There is also scope for improving the cost-effectiveness of technical cooperation grants thereby releasing additional resources for use by recipient countries.

Figure 7 shows the sectoral composition of DAC assistance to sub-Saharan Africa. Support for social expenditures and social infrastructure account for 65 percent of total DAC assistance during 2002-2006 with economic infrastructure and production sector accounting for 14 percent each.

In addition to the commitments to raise aid volumes, donors and partner countries agreed to commit to efforts to improve aid effectiveness through greater ownership, better alignment and harmonization and a sharper focus on results. This commitment to enhance the quality of aid is embodied in the Paris Declaration on Aid Effectiveness, which is to be assessed and reviewed at the upcoming Accra Forum in September 2008.

Despite the commitments made by DAC donors, aid volatility and aid predictability are major concerns for African countries. Several recent studies that have analyzed aid volatility show that: aid flows typically exhibit large volatility; aid is more volatile than government revenue; some forms of aid are more variable than others; and volatility of aid varies by recipients. There is also evidence to suggest that aid volatility entails a significant cost to the recipient countries.³ In addition aid to Africa also suffers from a lack of predictability, i.e., a gap between expected and realized amounts of aid. A major reason is the inability or unwillingness of many donors to provide indications of their future aid commitments. However, a growing recognition of the problem is leading to some donors extending the time frame of their commitments and greater awareness of the need to maintain stable financing. As a result recent evidence suggests that aid predictability is on an improving trend.

³ Chuhan-Pole, C. and B. Fitzpatrick (2008), “More and better aid: How are Donors Doing?”, in D. Go and J. Page (2008)

Donors, international financial institutions and partner countries have also been taking actions to accelerate progress on aid alignment and harmonization as well as on the results agenda in line with the Paris commitments. Many donors have developed action plans to implement the Paris framework, the European Union has adopted a voluntary Code of Conduct on Complementarity and Division of Labor as a way to enhance country ownership and improve coordination. In addition donors and partner countries are collaborating at the country-level on the different elements of the Paris Declaration. The evidence suggests that substantial progress has been in 5-8 countries and less extensive implementation in another 10-15, and sub-Saharan countries are well represented in both groups.⁴

A baseline survey of 37 countries and 37 percent of donor assistance undertaken in 2006 presents a mixed picture on progress.⁵ In these countries donors provide 43 percent of their budget through program assistance such as budget support or sector-wide approaches compared with the Paris target of 66 percent. Use of country systems is still the exception rather than the rule, and the extent to which donors undertake joint missions or joint analytic work is still too low. An additional issue that is gaining prominence is the complexity in the aid architecture and how global funds and new financiers including from other developing countries should best be incorporated into the Paris agenda. A widely held view among traditional donors is that non-traditional development financing sources should be brought fully under the Paris framework. Another which is discussed below is that there may be good arguments for flexibility given the nature of financing and engagement of the new development partners.

IV. The Growing Role of Non-Traditional Development Partners in sub-Saharan Africa

Non-DAC development partners have been active in sub-Saharan Africa for some time. Arab countries and Arab funds have been providing soft loans to a broad range of sub-Saharan Africa since Kuwait established the first fund in 1961 and at a very significant scale since the oil price increases of the mid-1970s. The countries of the CMEA (the former Soviet Union and its Warsaw Pact allies) gave substantial amounts of aid to Africa during the Cold War period. China began its bilateral assistance to Africa in 1956 and has funded more than 800 projects since then, and India has had a long-standing program of financial and technical assistance although of more modest scale.

Nevertheless a fundamental shift is underway in the role that non-traditional development partners are playing in Africa in two important respects. First the scale of

⁴ Chuhan-Pole and B. Fitzpatrick (2008)

⁵ OECD, 2007, "2006 Survey on Monitoring the Paris Declaration", November, Paris

engagement has increased substantially both because of a broader range of players and because of a substantial expansion in their activities linked to the more prominent role that many of these countries are playing in the world economy. Second, these development partners are adopting a much more diverse approach to development partnership and financial assistance with major implications for the aid and financing architecture that has been largely setup by traditional donors. Non-DAC development partners fall into three groups.

a) Non-DAC Members of the OECD and the European Union

The first are the non-DAC members of the OECD and the European Union. Non-DAC members of the OECD include: the Czech Republic, Hungary, Iceland, Korea, Mexico, Poland, Slovak Republic and Turkey. The second part of this group is non-OECD members that are new EU states which include: Bulgaria, Cyprus, Estonia, Latvia, Lithuania, Malta, Romania and Slovenia. Of these countries, it is the first sub-group that has a significant aid program. Recent magnitudes of ODA provided by this group as reported to the DAC are shown in Table 5. Total ODA from this group has increased from \$628 million in 2002 to \$1.9 billion in 2006. Of this only a small fraction has been targeted to Africa, less than \$ 200 million in 2006. Korea committed in 2005 to double its aid program to Africa within three years and Turkey is also proposing to expand its aid to Africa. The non-DAC members of the European Union that belonged to the CMEA had a history of providing aid, but their current aid programs are relatively modest with a minor portion targeted to Africa. They are however committed to significantly expand their ODA under the EU decision of May 2005 that new EU members should make their best efforts to reach a ODA/GNI target of 0.17 percent by 2010 and 0.33 percent by 2015. The new EU member states that are not part of the OECD have been and continue to be important beneficiaries of the intra-European program of assistance. They are also bound by the EU decision to initiate and raise the levels of development assistance. For countries in these two groups, aid targets and modalities agreed upon by the DAC and the EU will be the relevant benchmarks, so they can be expected to follow the path established by traditional donors as they expand their aid programs.

b) Arab Countries and Funds

The second group of countries that have and continue to be a major source of financing for sub-Saharan Africa outside the DAC are those from the Middle East. Although all of the major oil exporting countries of the Middle East have had significant aid programs at some point, today the main sources of aid financing come from three of the larger members of the Gulf Cooperation Council—Kuwait, Saudi Arabia and the United Arab Emirates. In addition to direct bilateral assistance these countries have set up their own national funds for financing development projects and are also principal sponsors for four regional funds that are also primarily aimed at development project financing, notably: the Arab Bank for Economic Development in Africa (BADEA), the Arab Fund for Economic and Social Development, the Islamic Development Bank and the OPEC Fund for International Development. Although the OPEC Fund is not just limited to Middle East

members (Venezuela in particular plays an important role), all the four funds and the three national funds are part of the Coordination Group of Arab National and Regional Development Institutions set up in 1975 with the aim of improving effectiveness and coordination of financing especially for larger scale projects and programs including through the use of one another's documentation. The Group meets every six months and has a Secretariat (located in the Arab Fund for Economic and Social Development) that tracks and reports on individual and aggregate assistance programs of the Group. In addition to the countries of the Gulf, Algeria and Libya have modest aid programs, a significant part of which is focused on their neighbors south of the Sahara.

The DAC has regularly reported on the official development assistance provided by the three main Arab donors and the associated regional funds. DAC statistics, which are confirmed by periodic reports from the Arab donor group show that Arab aid increased dramatically after the oil price increases of 1973, but then fell very substantially after 1982 (Figure 8). There was a brief increase after the first Gulf War but then aid levels fell to very low levels for the rest of the 1990s. Aid from Arab countries and Funds recovered after the second Gulf War although not as large in absolute or relative terms compared to the 1970s. These trends are mirrored in the relative role of Arab donors in overall ODA. As shown in Figure 9a, Arab donors accounted for more than 25 percent of total ODA during the 1970s. That share fell to less than 1 percent during the 1990s, and has risen to around 3 percent of a growing total ODA envelope since 2001. Although the share in total ODA is much lower than in 1970s, ODA effort of the three Gulf donors compare favorably with DAC donors at 0.6 percent of GNI in recent years (Figure 9b).

According to DAC statistics the share of sub-Saharan Africa in Arab ODA is relatively small, around 10 percent or in the range of \$250 million per annum in recent years. Detailed loan by loan statistics compiled by the Secretariat of the Coordination Group, however, indicate that financing from the seven national and regional funds has been much higher. Over the 2004-2007 period, commitments to sub-Saharan Africa amounted to \$4.7 billion or almost \$1.2 billion a year but with a substantial increase to almost \$2 billion in 2007 (Table 6b). Total commitments were even higher since some direct bilateral assistance is excluded from these figures. Even though disbursements will lag this buildup in commitments, the more detailed figures from the Coordination Group indicate that the level of financing by Arab national and regional sources to sub-Saharan Africa is now substantial.

Financing from Arab sources is almost exclusively in the form of project finance. Around 70 percent of the financing is for physical infrastructure, including roads, power and water supply (Figure 10). All of the financing provided by the Arab funds is concessional but not on grant terms. Fees/interest rates range from 1 percent to 3 percent with extended maturities and grace periods. Almost 40 countries are beneficiaries of financing from Arab sources, but seven countries—Mauritania, Sudan, Senegal, Gabon, Burkina Faso, Mali and Benin—account for 56 percent of Arab assistance to Africa (Figure 11).

c) Other Development Partners

The third Group consists of all other development partners mainly from the South. Of these China is by far the most important followed by India. Brazil has a more modest but growing assistance program and is especially active in the Lusophone Commonwealth including through the provision of export credits. South Africa has only a modest bilateral aid program (it makes substantial contributions to multilateral aid including IDA) but is considering a scaling up of its program. While Russia was at the center of the CMEA program of assistance to Africa, it does not have a significant aid program currently in Africa, but this may change if it were to follow the lead of the rest of the G8 in their stepped-up aid commitments to Africa. Two other economies that have aid programs with some coverage of Africa are Israel and Taiwan Province of China, both of whom report their aid to the DAC. Israel's overall aid program was on the order of \$90 million in 2006 and that Taiwan Province of China around \$500 million. The rest of this section describes in more detail the assistance programs of the two largest development partners—China and India.

i. China

China has had a long history of involvement in sub-Saharan Africa including in the provision of aid, but its ties to the continent have intensified greatly since 2000. This engagement is broad based encompassing trade, investment, technical cooperation, aid and other finance.⁶ An important driver has been China's need for natural resources. In return China has greatly expanded its assistance focused primarily on the provision of infrastructure.

China has adopted a very different approach to development assistance than traditional donors. It emphasizes mutual partnership in the spirit of south-south cooperation. The principles and objectives that it has enunciated for its cooperation with Africa include: (a) sincerity, friendship and equality; (b) mutual benefit, reciprocity and common prosperity; (c) mutual support and close coordination; and (d) learning from each other and common development. At the African Development Bank Summit in May 2007, China pledged to double its aid to Africa and provide \$5 billion in additional loans and credit over the next three years.

There are three forms of aid that China provides: grant aid from the Ministry of Commerce (MOFCOM) mostly in the form of aid in kind; zero-interest loans from MOFCOM much of which has been written off over-time; and semi-concessional loans

⁶ Two studies highlight the growing linkages between China and India with Africa, and the opportunity for growth and integration: H. Broadman (2007), *Africa's Silk Road: China and India's New Economic Frontier*, World Bank, Washington DC, and A. Goldstein et al. (2006), *The Rise of China and India: What's in it for Africa*, OECD, Paris.

channeled through China Ex-Im Bank and China Development Bank with an interest subsidy covered by MOFCOM. According to the data from MOFCOM, China's foreign aid expenditures have increased from RMB 4 billion to RMB 11 billion (around US\$1.5 billion) in 2007. MOFCOM also published annual statistics on the "contract value" and "revenue" from foreign economic cooperation which encompasses all overseas contracts including those financed by China's own aid but also multilateral agencies, labor contracts, consulting services and non-financial FDI. These statistics show that new contractual commitments to sub-Saharan Africa tripled from just under \$2 billion in 2002 to over \$6 billion in 2005 (Figure 12). Excluding FDI and the value of multilateral contracts, Chinese financed projects amounted to around \$ 5.9 billion in 2005.

Although highly concessional assistance (grant aid, zero interest loans) are used to finance technical cooperation, prestige projects, humanitarian assistance and cultural and political activities, the bulk of the long-term financing is in the form of loans on semi-concessional terms primarily in support of infrastructure development. To date 97 percent of such financing has been through the China Ex-Im Bank although the China Development Bank has also been given the mandate to anchor the China-Africa Development Fund with a commitment authority of \$5 billion, and is expanding its activities in Africa quickly. Data on the precise magnitude and nature of China Ex-Im financing to Africa are not available, but China Ex-Im bank does report on its aggregate commitments and disbursements. These figures show a very sharp increase from \$ 5 billion in 2002 to more than \$25 billion in 2007 (Figure 14). Very little further information is available on the specifics of this financing including its destination or terms.

The Public Private Infrastructure Advisory Facility (PPIAF) has just completed a study "Building Bridges: China's Growing Role as Infrastructure Financier for Africa"⁷ that seeks to address the gaps in information on financing of infrastructure projects in sub-Saharan Africa based on a systematic inventory of all infrastructure projects reported in the international and Chinese press for the period 2001 to 2006. The study does not include the large deal under discussion in the Democratic Republic of Congo. This study provides the first comprehensive view of the scale, nature and directions of infrastructure financing in sub-Saharan Africa with a focus on the role of China. According to the study, Chinese financial commitments to African infrastructure projects rose from under \$ 1 billion per year during 2001-2003 to around \$ 2 billion per year during 2004-2005, rising sharply to more than \$ 7 billion in 2006 and then falling back \$ 4.5 billion in 2007. Although these figures include a mix of projects that have been completed, underway or in different stages of approval/agreement, they capture the very sharp increase in the scale of support that China is providing for infrastructure development in Africa.

⁷ V. Foster et al. (2008), Building Bridges: China's Growing role as Infrastructure Financier for Africa, PPIAF, World Bank, Washington DC

According to the database of the study, a third of infrastructure financing was for electricity, another third for transport and 17.4 percent for telecommunications. Much of support in the power sector has been hydroelectric schemes.⁸ China has been involved in the financing of 10 major dams in 9 countries with a total estimated cost of \$5 billion of which China is financing \$3.3 billion. These investments will raise overall generating capacity in the continent by around 30 percent and by more than 50 percent in four of the countries in which the projects are located. In addition China has also been active in building thermal power stations, especially in Nigeria and Sudan. In the transport sector, China has made commitments to the rehabilitation of more than 1350 kilometers of the rail network and construction of 1600km of new railroad (including in Nigeria, Gabon and Mauritania). China is also active in the road principally in Angola, Botswana, and Ethiopia. China has provided more than \$3 billion for the telecommunications sector mainly in the form of equipment sales. China has also been involved in expanding national communications backbones in Ghana and Ethiopia. China has also been involved in the water and sanitation sector but accounting for a small share of the total financing of the sector. Although mineral investments are an important motivation for China and although the bulk of the financing provided has been to oil/mineral exporting countries, only 15 percent of the infrastructure financing is directly linked to natural resource exploitation.

According to the projects database, China is involved in infrastructure financing in more than 35 sub-Saharan Africa countries, but there is a heavy concentration of the bulk of financing in a relatively few countries. Nigeria, Angola, Ethiopia and Sudan account for 70 percent of total commitments from China during 2001-2007, with Nigeria alone accounting for 30 percent. Guinea, Ghana and Mauritania also received significant financing, on the order of \$0.8-\$1.0 billion each (see full list of countries receiving Chinese financing in Table 12).

The China Ex-Im Bank is increasingly making use of a financing structure called the “Angola Mode” or “resources for infrastructure” whereby repayment of the loans for infrastructure development is made in terms of natural resources (Figure 15). The study documents eight such resource-backed deals worth more than \$3 billion covering oil, mineral resources and agricultural products. Examples include oil in the case of the Congo River Dam in the Republic of Congo, cocoa in the case of the Dui Dam in Ghana and bauxite in the case of the Souapiti dam in Guinea. In addition to these deals with a specific link to commodity exports, many borrowing countries report that the use of collateral is a common feature of China Ex-Im lending.

Financing terms on loans provided by China Ex-Im Bank varies according to country and project, ranging from non-concessional to highly concessional. Figure 16 shows the

⁸ This includes the 2600 MW Mambilla scheme in Nigeria, the 1250 MW Merowe dam in Sudan, the 100 MW scheme between the Kafue Lower Gorge and Kariba North in Zambia, the Congo River dam in the Republic of Congo, the Bui dam in Ghana, the Souapiti dam in Guinea, and the Poubara dam in Gabon

average grant element for major recipients of Chinese loans based on data from the World Bank Debtor Reporting System. On average loans from China to sub-Saharan countries had a grant element of 36 percent, which is favorable compared to private creditors but not as favorable as official creditors from DAC countries.

ii. India

India too is scaling up its engagement in Africa beyond its traditional support for training and technical assistance. Under a new Indian Development initiative, India will on-lend borrowed money to less creditworthy countries in sub-Saharan Africa of around \$300-\$400 million year, roughly a ten-fold increase from past levels. India has also offered \$200 million for regional programs under NEPAD and \$ 500 million in Ex-Im Bank lines of credit to West African countries to support various projects by Indian companies in the countries concerned.

India is also beginning to emerge as a significant financier for infrastructure in Africa, although at much smaller levels than China. According to the database of the PPIAF study, India financed a total of 20 official or SOE funded projects during 2003-2007 worth \$ 2.6 billions or \$0.5 billion per year. Similarly to China, India's involvement is closely linked to natural resource development, where it made an additional \$7.3 billion of investments over the same period. Also, as in the case of China, India Ex-Im Bank has served as the main conduit, with a mix of concessional and non-concessional terms. India's financing has been even more concentrated than China, with Nigeria, Sudan and Angola accounting for the bulk of the projects and financing.

V. Future Directions and Emerging Issues

The preceding review of the sources of financing suggests that significant changes in official financing may be in prospect for sub-Saharan Africa, from both traditional donors and non-traditional development partners. As highlighted in Section II, ODA from traditional donors would need to increase by around \$18 billion per year if the 2005 commitments are to be met. If a substantial part of these new commitments are in the form of "country programmable aid", it would constitute a significant boost to Africa's efforts to accelerate progress on the millennium development goals. There are however considerable uncertainties about whether these commitments will materialize, with what timeframe, and with what flexibility.

Against this backdrop, non-traditional sources of official financing from the three groups discussed earlier could play an important role in augmenting the financing needed. First, while non-DAC members of the OECD and the European Union have so far provided very small amounts of assistance to sub-Saharan Africa, those levels could increase substantially as these countries increase their aid budgets in line with their specific EU targets and broader international goals. Based on these targets, aid to sub-Saharan Africa

from these countries (directly and indirectly through multilateral agencies) could increase to \$1-\$1.5 billion by 2010 and to \$3-\$5 billion by 2015.

Second, with the boost in oil earnings, the Gulf countries as well as other oil exporters in the Middle East are well positioned to increase their aid budgets and the volume of financing provided through their national and regional funds. As noted previously, commitment levels have already increased sharply over the past few years and this can be expected to translate into rising disbursements. The improved financial position of oil exporting countries could provide the basis for a substantial increase in future commitments. Compared to flows of less than \$250 million per year in the late 1990s, financial assistance from the Middle East could increase to \$2-3 billion per year by 2010.

Third, financing from other development partners also has great potential for further increases. In addition to higher levels of grant financing, China and India are well poised for a significant increase in concessional and semi-concessional lending in the medium-term. Given the rapid increase in the level of loan commitments over the past five years, disbursements will rise sharply in the coming years. Both countries have pledged a significant expansion in their cooperation with Africa, and given the synergy with trade and investment, financing for development projects could increase rapidly. Based on recent trends and future indications, concessional and semi-concessional financing from China and India could rise from an estimated level of \$2-\$3 billion presently to \$4-\$6 billion by 2010. In addition there are good prospects for increases in financing from Brazil, South Africa and Russia that could further boost this number.

Altogether therefore additional financing from all sources (grant and concessional loans) to sub-Saharan Africa could increase by \$15-\$25 billion by 2010 and twice that amount by 2015. This could provide a major boost to Africa's ambitions to increase investments in infrastructure and agriculture thereby boosting growth and contributing to faster progress on the human development goals.

The increased financing from non-traditional sources is also likely to be in areas that are complementary to that of traditional donors. As was evident from the review of recent trends, traditional donors are principally providing their aid for budget support and for health, education and social infrastructure. The bulk of this financing is on grant terms. In contrast, non-traditional development partners are providing financial assistance primarily in the form of concessional loans heavily targeted towards physical infrastructure. As the PPIAF study shows, the share of non-traditional partners in infrastructure financing has increased rapidly so that they now account for 38 percent of total infrastructure financing (\$8 billion in 2006), the same order of magnitude as PPI (private participation in infrastructure) financing, and significantly greater than traditional ODA financing (\$5 billion or 22 percent of total financing) (Figure 18). Moreover non-traditional financiers are mainly concentrated in power and transport sectors, whereas traditional donors are also a dominant source of financing for water and sanitation, and the private sector the dominant source of financing for telecommunications.

The increased prospects of financing and the greater diversity of options represent a powerful opportunity for sub-Saharan Africa in tapping external resources to support sustained growth. One major implication is the need to mount a systematic effort to harness these financing opportunities tailored to individual country circumstances. While it would be desirable to use grant and highly concessional loans to finance development needs in sub-Saharan Africa, it is unlikely that sufficient aid will be available to support the scale of investments needed especially in infrastructure. Semi-concessional lending from non-traditional partners could help close the gap as they have done in the recent past. Three concerns need to be however addressed with respect to such non-traditional sources of financing: first, ensuring debt sustainability; second, improving information recording and debt management; and third, aid harmonization and alignment.

a) Ensuring Debt Sustainability

A key concern that has been raised with respect to semi-concessional lending from non-traditional sources, especially China, is that it could undermine hard earned progress on debt sustainability in the borrowing countries.

As shown in Table 7, sub-Saharan Africa has witnessed a sustained improvement in its debt indicators since 2000 as a result of improved growth and export performance and the implementation of the HIPC initiative. With the launch of the Multilateral Debt Relief Initiative in 2006, debt service ratios for eligible countries have fallen further, with an average that is now less than 5 percent of exports and 1 percent of GDP.

Table 8 compares the magnitude of new financing provided by China with the debt relief received under the HIPC and MDRI initiatives. The countries that have received the largest amounts of financing are the three resource rich countries of Angola, Nigeria and Sudan. Other significant borrowers are the Republic of Congo, Ethiopia, Ghana, Guinea, Mauritania and Zimbabwe. The new borrowing is a significant proportion of debt relief for Guinea, Nigeria and Mauritania. Table 9 shows the change in long-term debt between 2000 and 2006 based on data from the World Bank's Debtor Reporting System. With the exception of Gabon, the Republic of Congo and Sudan debt stocks have gone down or not increased significantly for other countries. The DRS data does not appear though to capture adequately the new loan commitments from China and other developing countries.

Given the gaps in data and the lack of a systematic analysis of the impact of new borrowing on output and export revenues, it is difficult to carry out a robust appraisal of the impact of additional borrowing on debt sustainability. On the basis of the available data, Reisen and Ndoye conclude that there is little evidence of imprudent lending by China⁹. The debt service ratios of key borrowers from China have been declining to below the debt

⁹ H. Reisen and S. Ndoye (2008), *Prudent versus Imprudent Lending to Africa: From Debt Relief to Emerging Lenders*, OECD, Paris

distress thresholds set by the Debt Sustainability Framework (DSF) (Figure 19 and 20). As Reisen points out, what matters for debt sustainability and debt dynamics is not just China's lending, but also the push that China gives to exports and income growth.¹⁰

In the case of resource rich borrowers a major reason for the improvement in debt ratios is the sharp rise in exports, linked in the case of Angola and Sudan directly to Chinese investments. So while the borrowing has been large, the impact on exports and output has also been large. The modalities through which financing is provided also reduces the risks of debt distress. Although collateralization of loans by Chinese Banks reduces the flexibility of the debt structure, the tight link between debt repayments and export revenues generated by Chinese natural resource projects ensures that the risk of payments difficulties are low. Moreover to the extent that the infrastructure investments paid for by export revenues from natural resource revenues generate wider benefits for the economy, debt sustainability will improve rather than deteriorate.

There is also little evidence that lending by China or India has been based on "free riding". The bulk of the lending in both cases is targeted to countries that are not benefiting from debt relief. Both countries as well as other major Southern creditors are also providing debt relief to HIPC countries, but with significant variation in the levels and pace of such relief.¹¹

DSAs undertaken for countries with growing exposure to new lending from China and other sources are beginning to grapple with how to assess the impact of this new financing in the aftermath of debt relief. Under the newly established policy on non-concessional borrowing by grant-eligible and MDRI-recipient countries, IDA is also assessing whether debt-relief or grants could potentially cross-subsidize lenders and whether such non-concessional loans risk undermining borrowers' debt sustainability prospects. A review of relevant DSAs suggest that while there is much focus on the increment to debt, there is insufficient analysis and recognition of the direct and indirect spillover effects of the investments financed. While DSAs are a useful tool to analyze debt-related vulnerabilities, they need to properly assess and reflect the impact of new borrowing. In particular they need to capture the revenue and growth impact associated with the new borrowing which can be non-marginal as discussed above.¹² Otherwise the approach will lead to overly conservative assessments on the benefits and risks from new borrowing.

¹⁰ H. Reisen (2007), "Is China Helping Improve Debt Sustainability in Africa?", G24 Policy Brief

¹¹ According to IMF/World Bank staff estimates, 34 percent of the HIPC Initiative expected from China has been provided under its own debt relief program. Taking into account additional relief that has been provided, staff estimates that China has delivered 50 percent of its expected contribution.

¹² This and a number of other concerns have been flagged regarding the bank/Fund debt sustainability framework that need to be addressed. For example, by Ugo Panizza in "The External Debt Contentions: Six Years after the Monterrey Consensus" draft paper, UNCTAD, 2007

One issue of concern that Reisen correctly flags is the currency denomination of lending by Chinese Banks in renminbi. As a rapidly growing economy (and was the case with Japanese yen-denominated loans in the 1980s), China is bound to experience trend appreciation of its currency in inflation-adjusted terms, due to Balassa-Samuelson effect (the rapid rise in non-tradables' relative prices as a result of income growth). There is no way to hedge against long-term real appreciation of the renminbi; there are no future markets for the renminbi, and should they exist, hedging costs for 10-15 year maturities will be exorbitant. Low-income countries have, however, the option of minimizing the currency mismatch of their exchange risk exposure by matching the currency mix of their debt with currency mix of their cash flows.

b) Improving Information Recording and Debt Management

The undertaking of debt sustainability analyses by the IMF and the World Bank based on the framework adopted in 2005 is improving the quality and comparability of debt information for low income countries including those in sub-Saharan Africa. However, information on lending from non-traditional sources is sometimes not well captured because of a lack of reporting on both the debtor and creditor side. Equally, there are major gaps in information on the creditor side and inconsistencies between them. Even for the Arab countries and Funds, where there is a long established tradition of reporting, there is no systematic information on disbursements, and major discrepancies between the figures published by the DAC and those of the Secretariat. These information gaps in turn can lead to inappropriate or excessive lending/borrowing or equally to undue restrictiveness if the magnitude, terms and impact of the borrowing are not well understood. There is strong merit therefore in more systematic efforts to improve debt recording and information sharing.

A central platform for such recording on the debtor side is the World Bank Debtor Reporting System (DRS). It is clear from the data that is presently in the system that many of the major loans from non-traditional development partners are not captured in the DRS. Given the loans that are already outstanding and plans for additional borrowing, it is important that the DRS accurately capture borrowing from all sources, public and private. Equally, as non-traditional lenders expand their lending, better disclosure will help avoid misperceptions and provide the basis for more informed discussions on debt sustainability. Towards that end it may be useful to initiate a dialogue on how such improved debt recording and information sharing could be promoted without compromising information about specific deals.

Since many low income countries are now incurring new debt in many cases following the HIPC/MDRI initiatives on debt relief, the strengthening of debt management has become an important priority across the region. Also given the much greater choice of financing options that are now available to low income countries in sub-Saharan Africa, governments need to enhance their capacity to assess investment and financing options for specific deals and also to develop a medium-term debt strategy that can ensure that the country is able to meet its financing needs at the lowest cost and with reasonable risk. The

IMF and the World Bank have initiated a pilot technical assistance program to assist countries in the design and adoption of such medium-term debt management strategies.

c) Aid Harmonization and Alignment

Three specific concerns have been raised regarding the modalities of financing provided by non-traditional development partners, and in particular about the financing from China: notably that it does not conform to the principles that have been agreed upon under the Paris Declaration; that it may undermine governance and accountability; and that it may not meet international standards for environmental protection and social safeguards,

The Paris Declaration which has been adopted by all DAC donors and many recipient countries is built on the following key objectives: *ownership* of the programs funded by recipient countries; *alignment* of donor assistance to local priorities and local delivery channels; *harmonization* and simplification of donor procedures; a stronger focus on and mutual accountability for developmental *results*. Towards this end, donors committed themselves to a range of specific targets to integrate their aid with country processes and budgets, enhance predictability, use country systems where feasible, coordinate activities and avoid duplication, and improve the framework for mutual accountability.

The financing provided by non-traditional partners appears to run counter to these principles of good practice: all of the aid is in the form of projects and, in the case of China and India, the project financing is almost fully tied so that even labor for implementing the projects is imported. But on closer reflection the financing modalities employed by non-traditional development partners may be well suited to their particular circumstances. The focus on project finance for infrastructure development is in line with their comparative advantage. Projects are always selected and agreed upon based on country needs and ownership. Given the nature of the financing commitment, there is a high degree of predictability of financing to ensure smooth implementation and completion of the project. Although the financing is fully tied, often linked to specific contracts awarded to Chinese construction companies, the tying of the financing tends to be cost effective. China's construction companies tend to be amongst the most competitive in the world (reflected for example in their success in winning bids under multilateral projects) and there is a well established record that projects financed in this mode tend to be completed much more speedily and at lower cost than the prevailing standards in the country concerned.

Non-traditional partners are also often accused of undermining governance by extending support to countries that are deemed by others to not have an adequate governance or accountability framework, by not following agreed practices on disclosure and by not adhering to the same standards in the fight against corruption. In line with the principles of South-South cooperation, non-traditional partners and especially China have repeatedly stressed the principles of national sovereignty and non-interference in national affairs. China also disburses its financing to contractors as a project is implemented, and not through budgets reducing the risks of potential diversion of funds.

Finally financing institutions from non-traditional partners (such as China Ex-Im Bank) have been called upon to apply appropriate environmental and social safeguards in line with agreed international standards and principles such as the “Common Approaches to the Environment” which call for a benchmarking of projects against the host country standards and the standards and guidelines of one of the multilateral development banks. China has expressed its commitment to “give priority to African concerns of environmental protection and sustainable development”¹³ and China Ex-Im Bank has disclosed a stringent environment policy in April 2007.

VI. Conclusion

The review of recent financing trends in sub-Saharan Africa shows that non-traditional development partners have significantly expanded the financing envelope available for accelerating much needed investment in the continent. In particular they have had a profound impact on the financing of infrastructure where they now account for almost 40 percent of total financing and 60 percent of the financing from official sources. The concentration of financing in resource rich countries, often with close links to mineral investments, have reduced risks of debt difficulties even though the investments financed will produce larger development gains.

The fulfillment of commitments made by traditional donors to increased and improved aid will be critical to helping sub-Saharan countries consolidate and accelerate progress towards the millennium development goals. The prospect of a significant expansion in the engagement of non-traditional development partners can have an important complementary impact. This engagement is much broader than financing, but additional financing can play an important role in meeting the critical needs of infrastructure development. Tapping the potential offered by this new financing while managing the risks of the debt incurred will require careful selection of projects and attention to sustainability once they are completed. Ways of enhancing the concessionality of such financing, for example by increasing the subsidy provided or co-mingling with highly concessional financing, will reduce the burden and risks and allow the benefits of additional infrastructure investment to be extended to countries and areas that need but have not benefited from the recent expansion.

Three initiatives could help sub-Saharan African countries realize the full potential offered by the new sources of development financing. First, given their more important current and prospective role, a systematic effort to improve debtor and creditor reporting on this new lending as well as efforts to strengthen debt management capacity will help lay the basis for a sustained expansion of such financing. Second, the debt sustainability framework needs to be adapted to take into account the growth potential offered by stepped-up financing

¹³ Action Plan adopted at the summit of the Forum on China-Africa Cooperation, November 2006.

for infrastructure development. Third, further discussion is needed on how to best incorporate these new sources of financing into the Paris framework. There are valuable lessons for new players from best practices of traditional donors, but all elements of the action plan of the Paris Declaration are not appropriate given the nature of their financing.

Annex: Figures and Tables

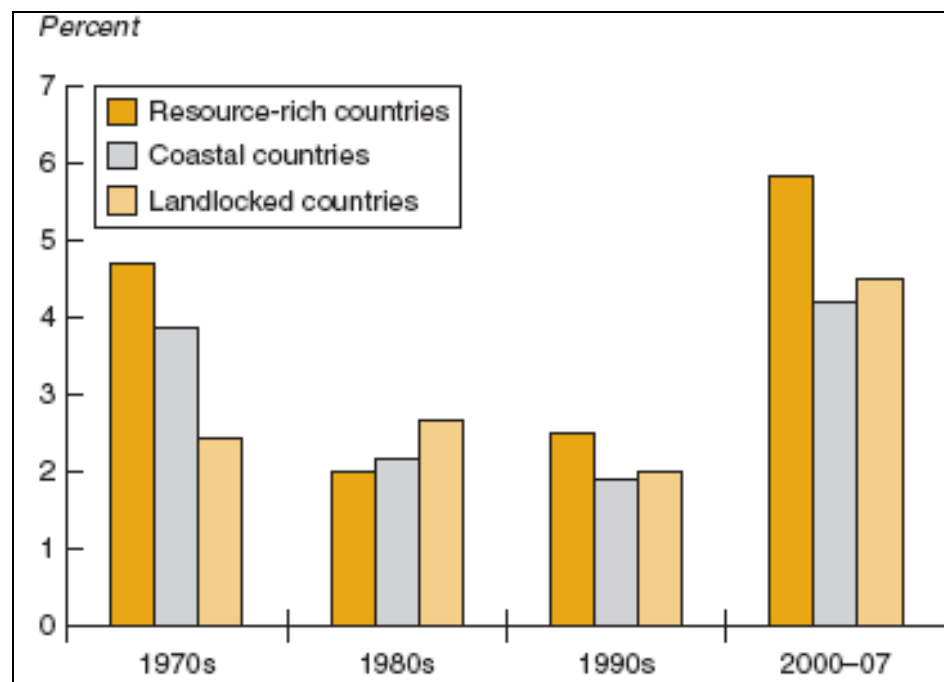
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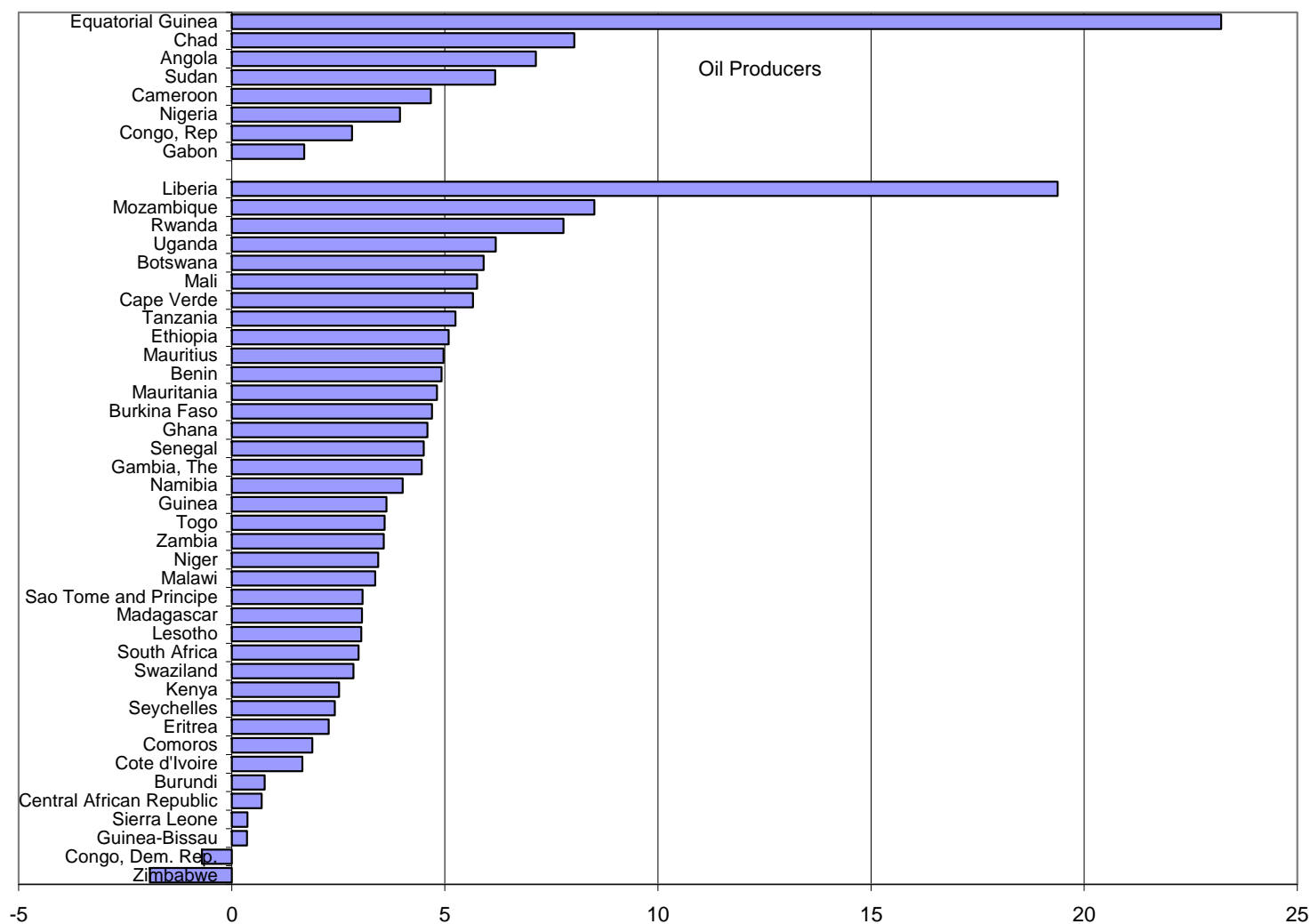
Figure 1: GDP Growth Across Selected Sub-Saharan Africa Sub-regions
(Percent)



Source: Global Development Finance, World Bank, 2008.

Figure 2: Average Annual GDP Growth in sub-Saharan, 1996-2005

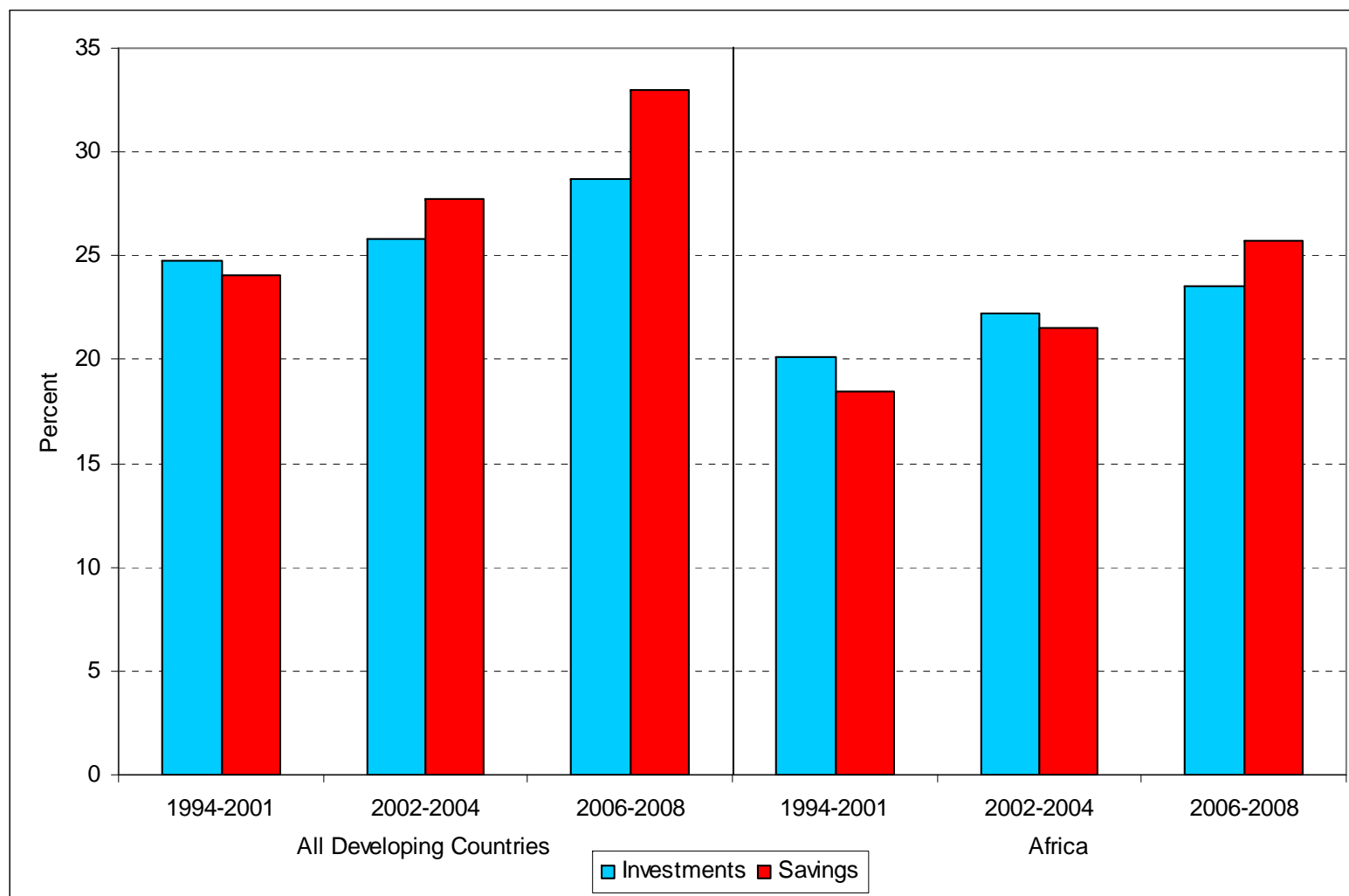
(Percent)



Source: World Development Indicators, World Bank.

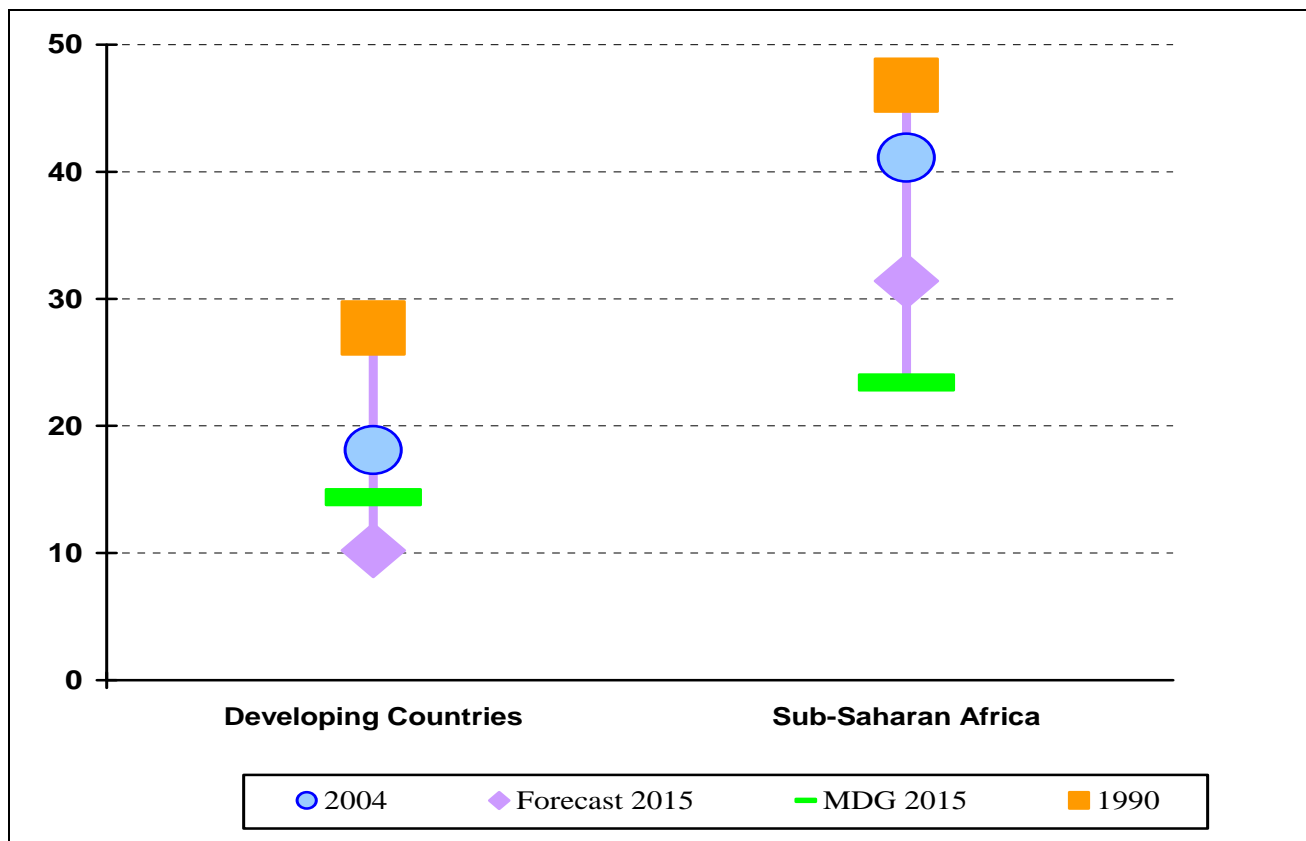
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(Percent of GDP)



Source: IMF World Economic Outlook.

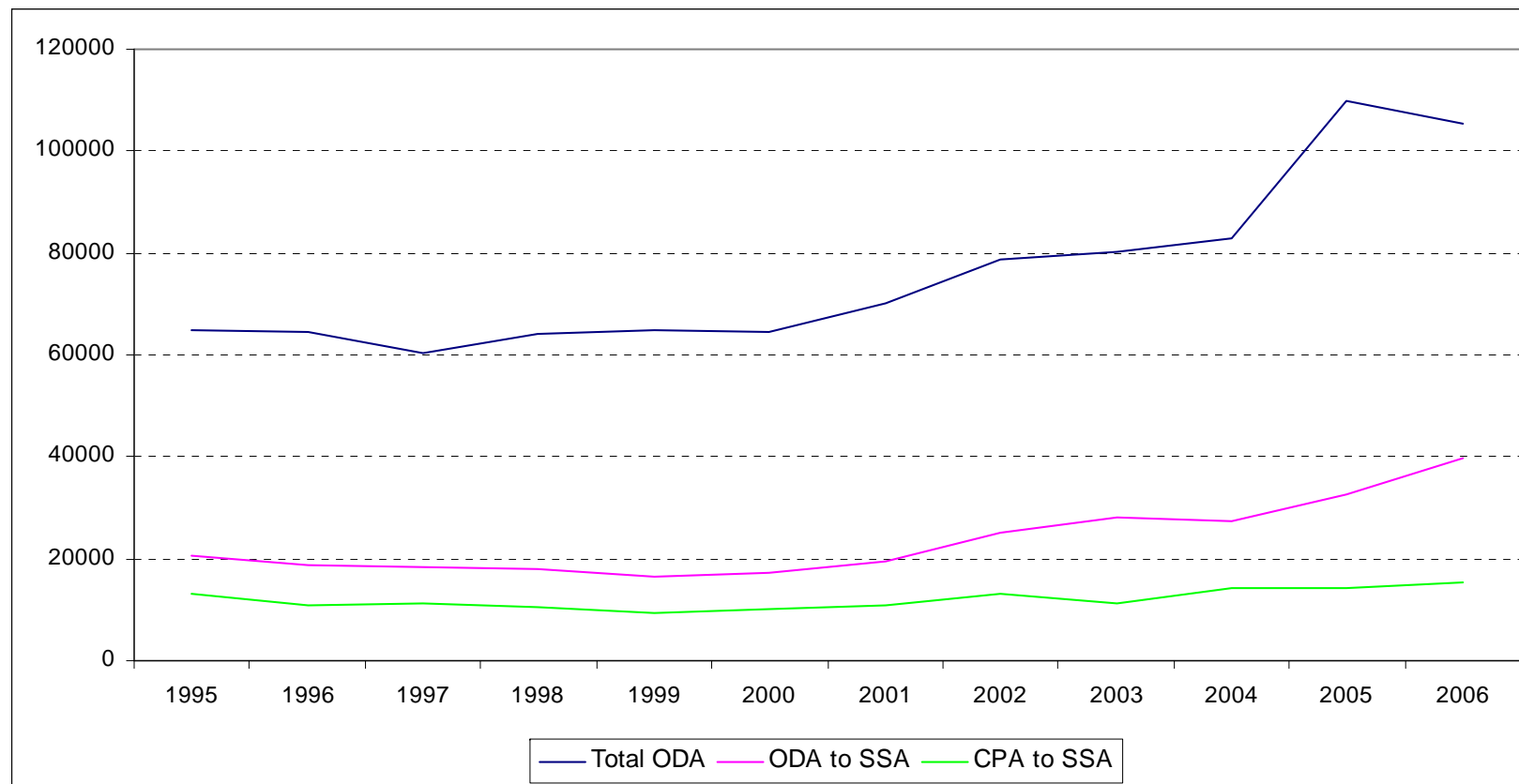
Figure 4: Progress on the Millennium Development Goal on Poverty
(Percent)



Source: World Bank.

Figure 5: Official Development Assistance to Sub-Saharan Africaⁿ

(Million in 2006 Constant US\$)



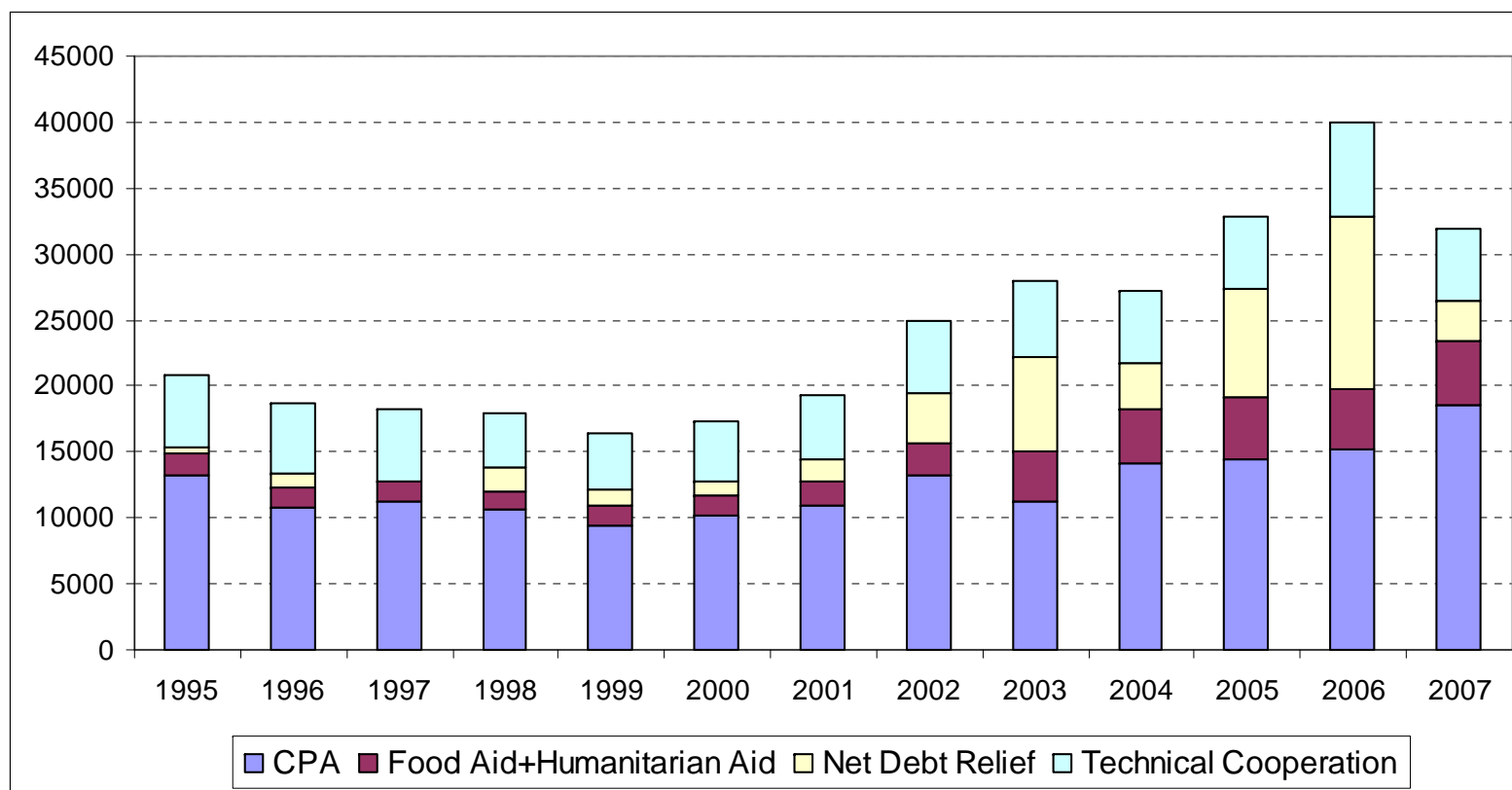
Source: OECD/DAC

ⁿ ODA: net official development assistance

CPA: country Programmable aid (se text for definition)

Figure 6: Composition of Net ODA to Sub-Saharan Africa

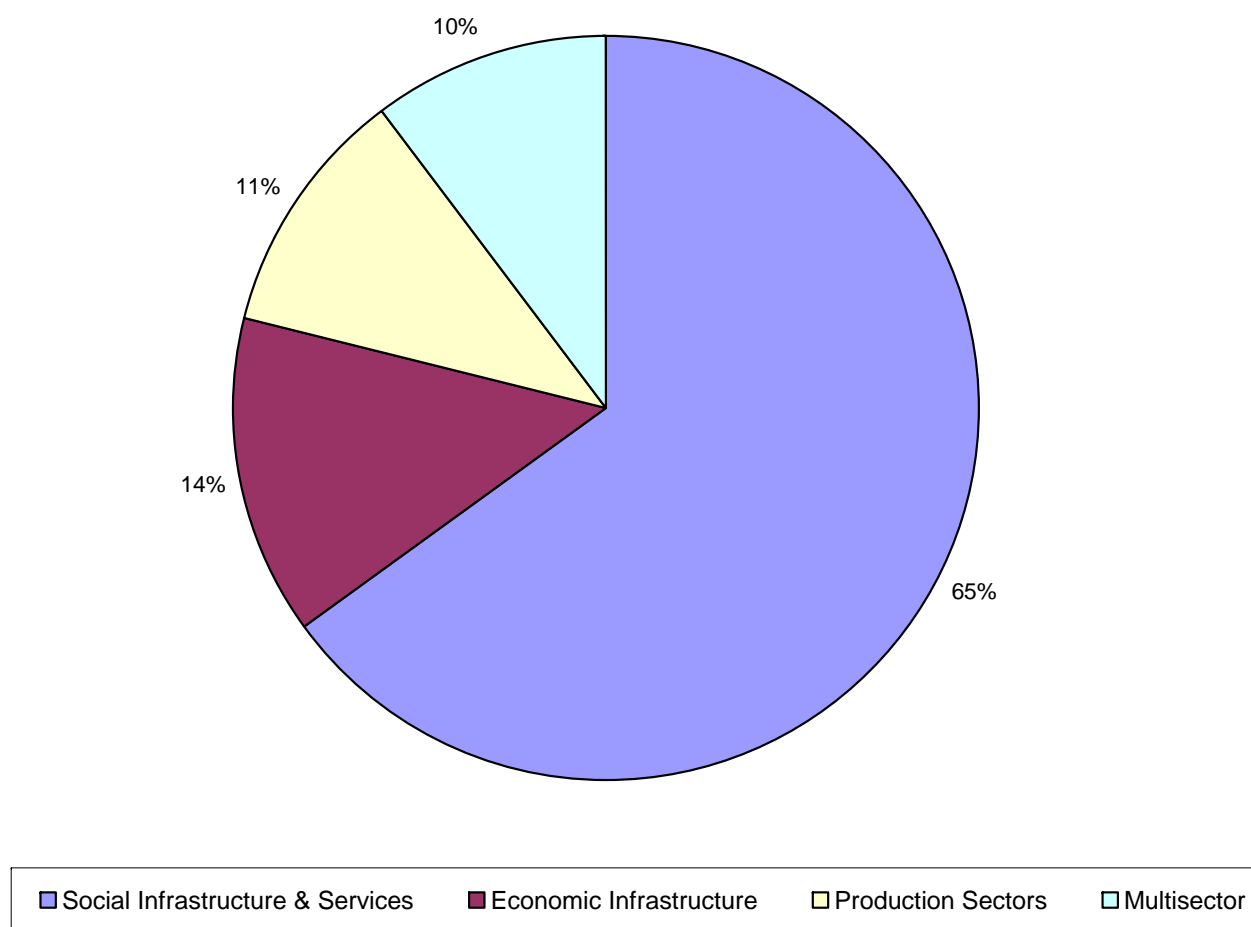
(Million in 2006 Constant US \$)



Source: OECD/DAC

Figure 7: Sectoral Composition of DAC ODA to Sub-Saharan Africa, 2002-2006

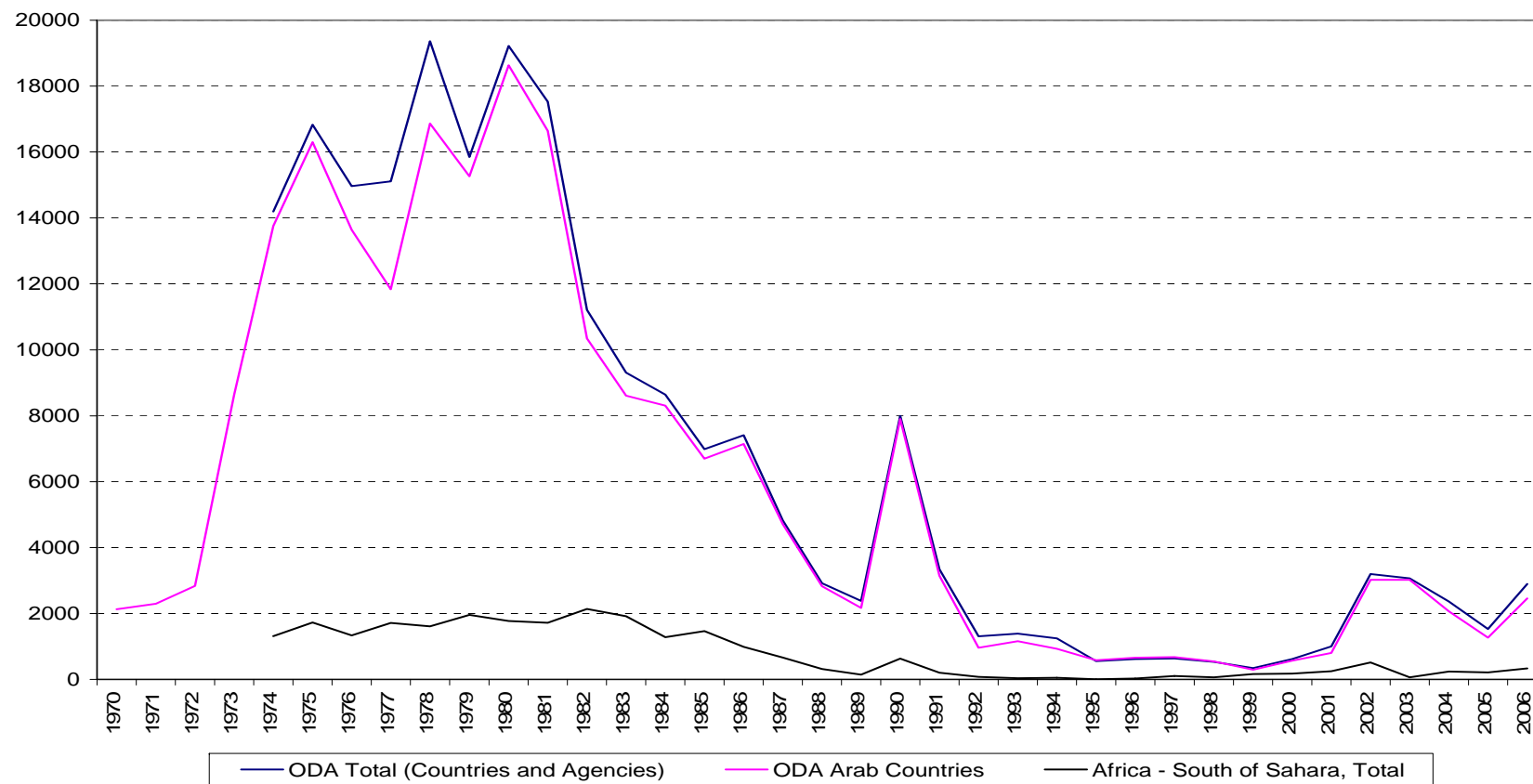
(Percent)



Source: OECD/DAC

Figure 8: Official Development Assistant from Arab Donors 1970-2006

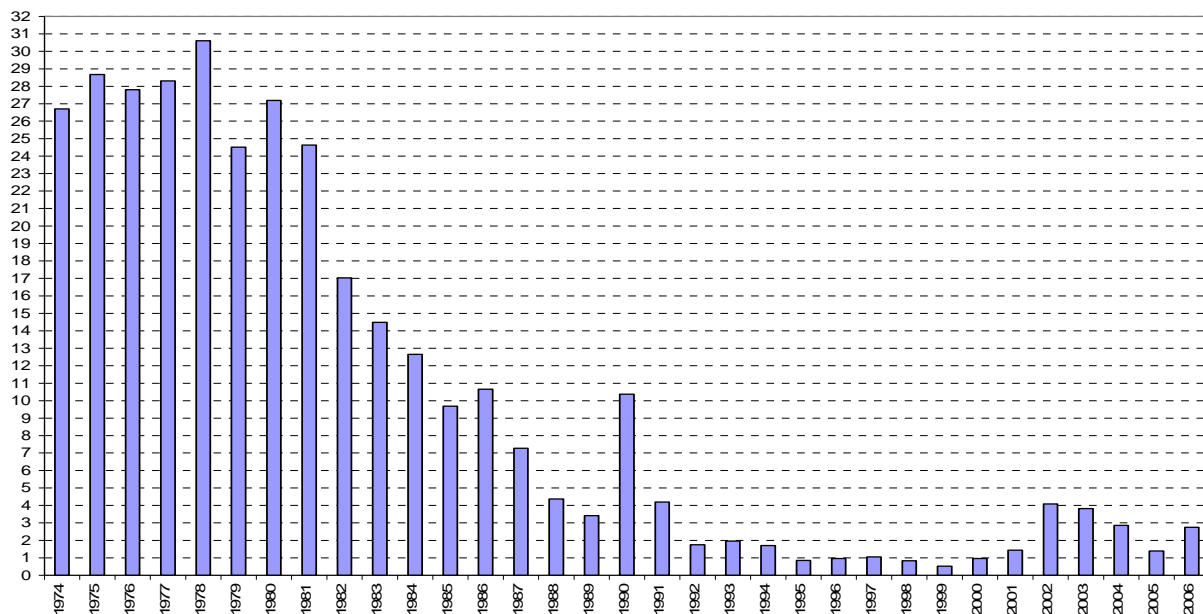
Aggregate Trends (Millions in Constant 2006 US \$)



Source: OECD/DAC

Figure 9 (a): Share of Arab Donors in Total ODA, 1974-2006

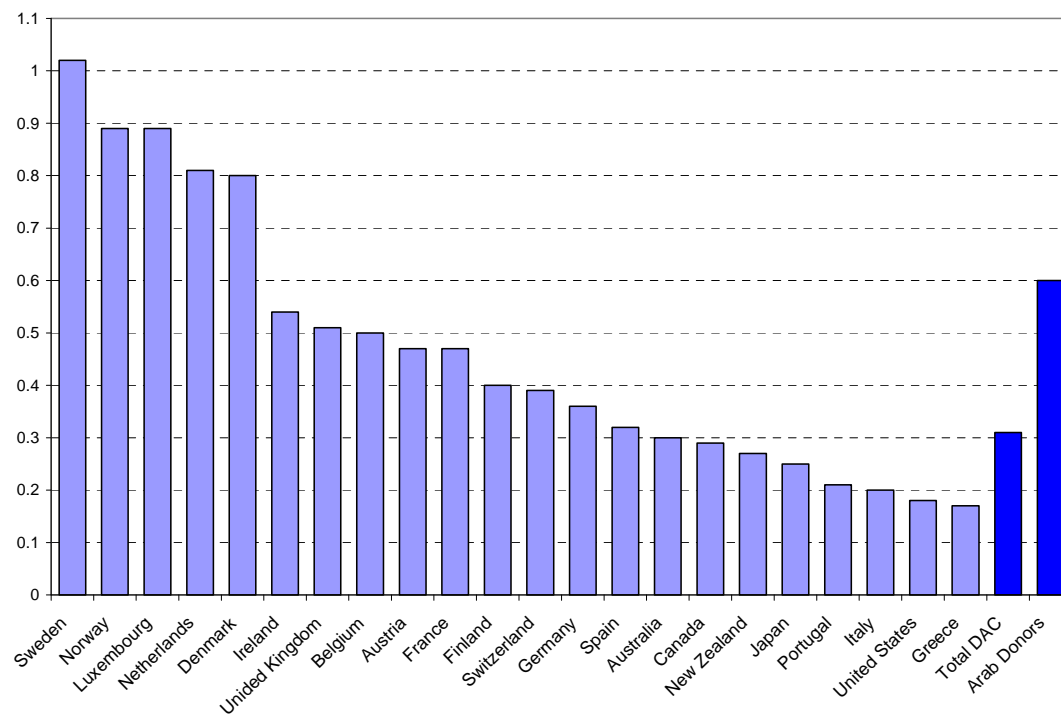
(Percent)



Source: DAC/OECD

Figure 9 (b): Net ODA in 2006- as Percentage of GNI

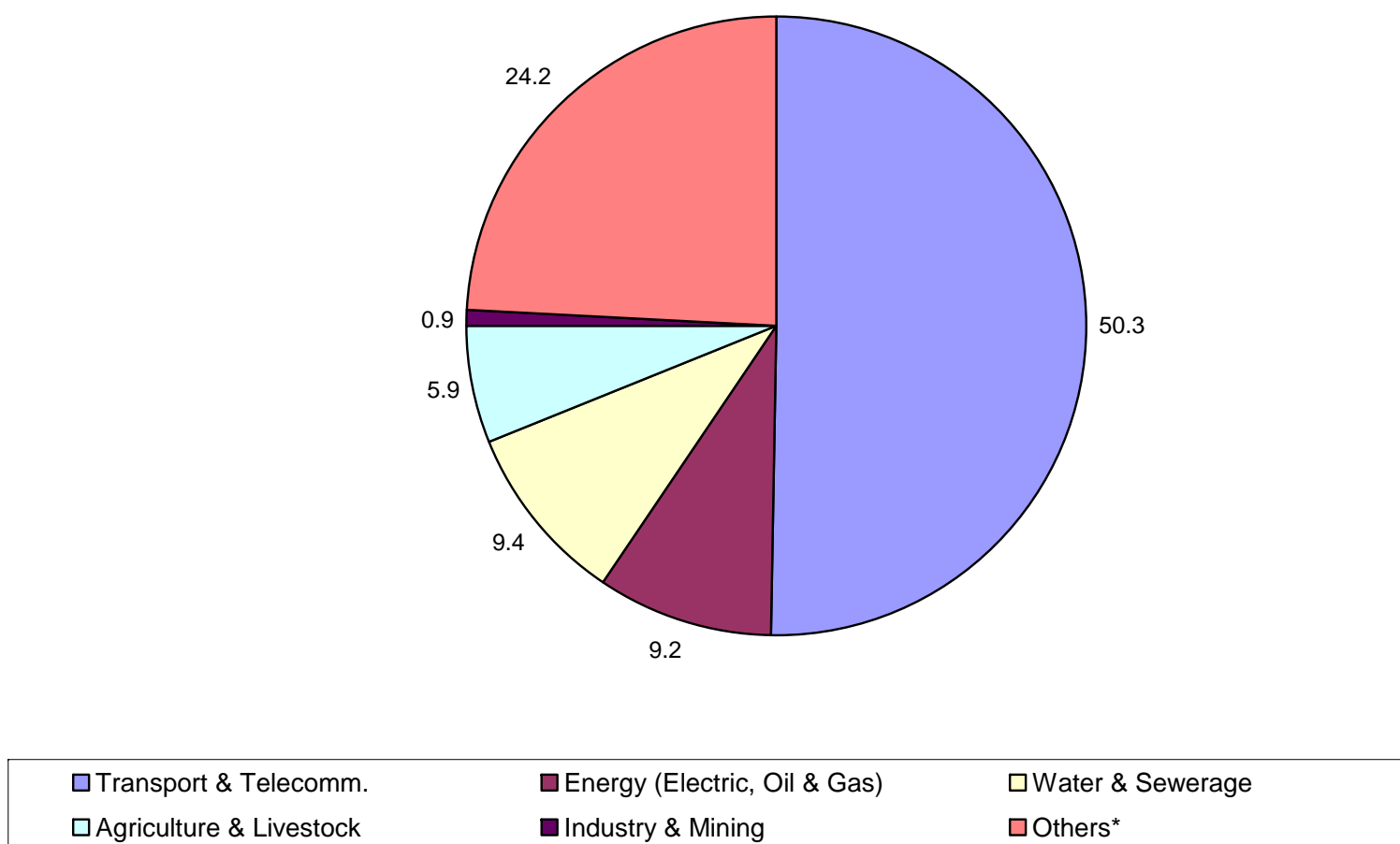
(Millions US\$)



Source: DAC/OECD

Figure 10: Sectoral Composition of Financing from Arab Countries and Funds to Sub-Saharan Africa, 2004-2007

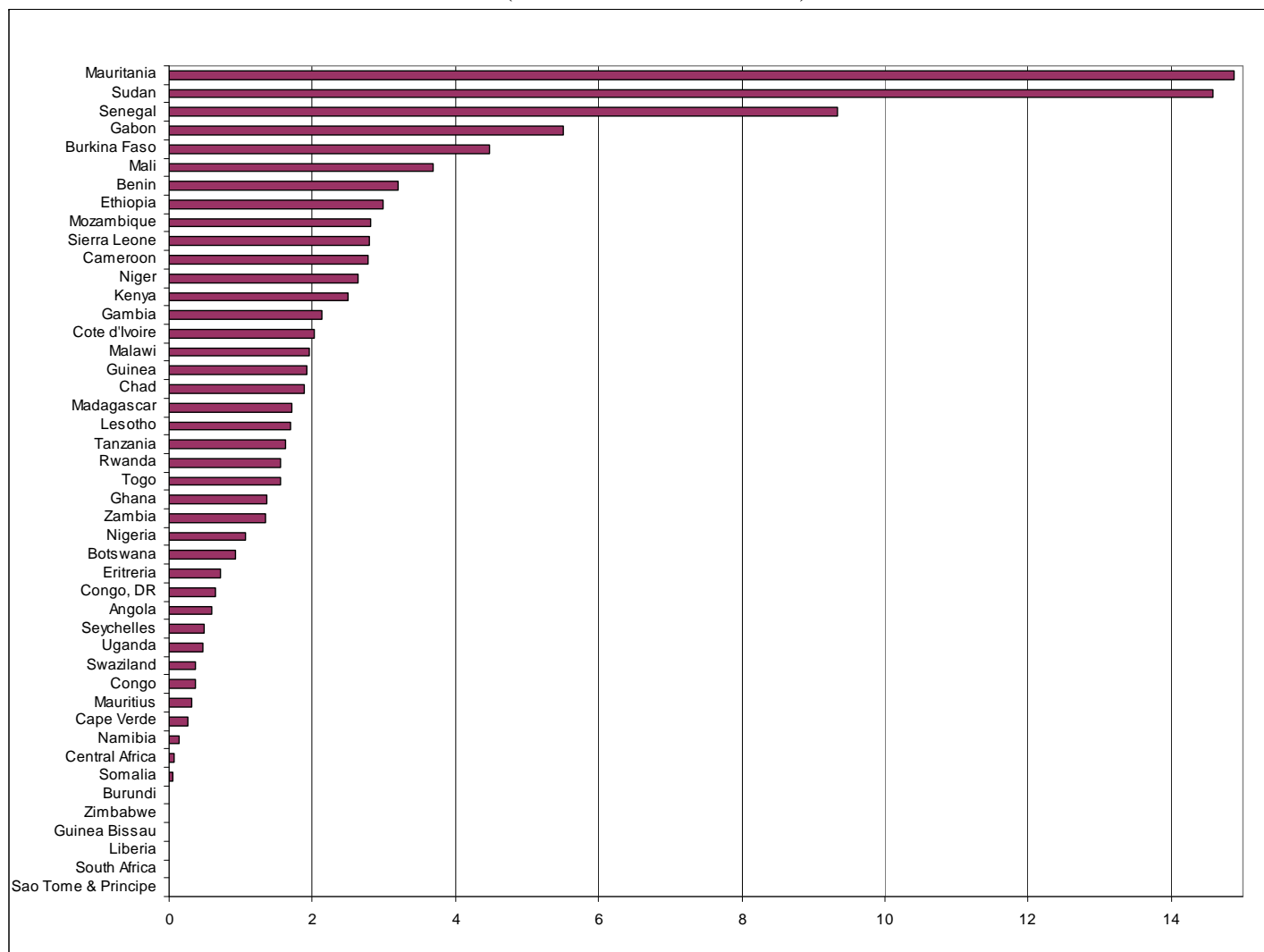
(Percent)



Source: Coordination Secretariat, Arab Fund for Economic and Social Development

Figure 11: Commitments from Arab Countries and Funds to Sub-Sahara Africa, Average 2004-2007

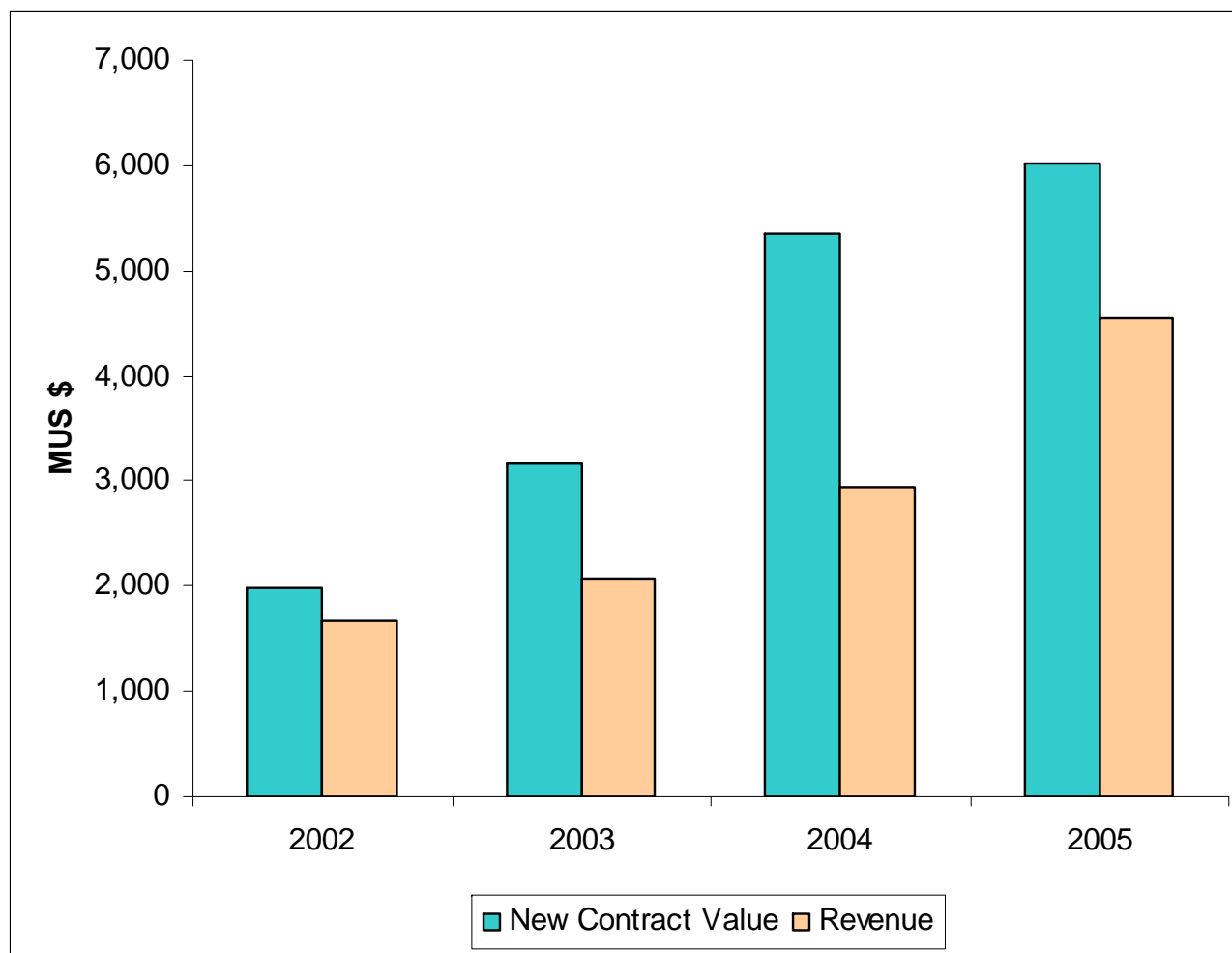
(Millions US\$ and Shares)



Source: Coordination Secretariat, Arab Fund for Economic and Social Development.

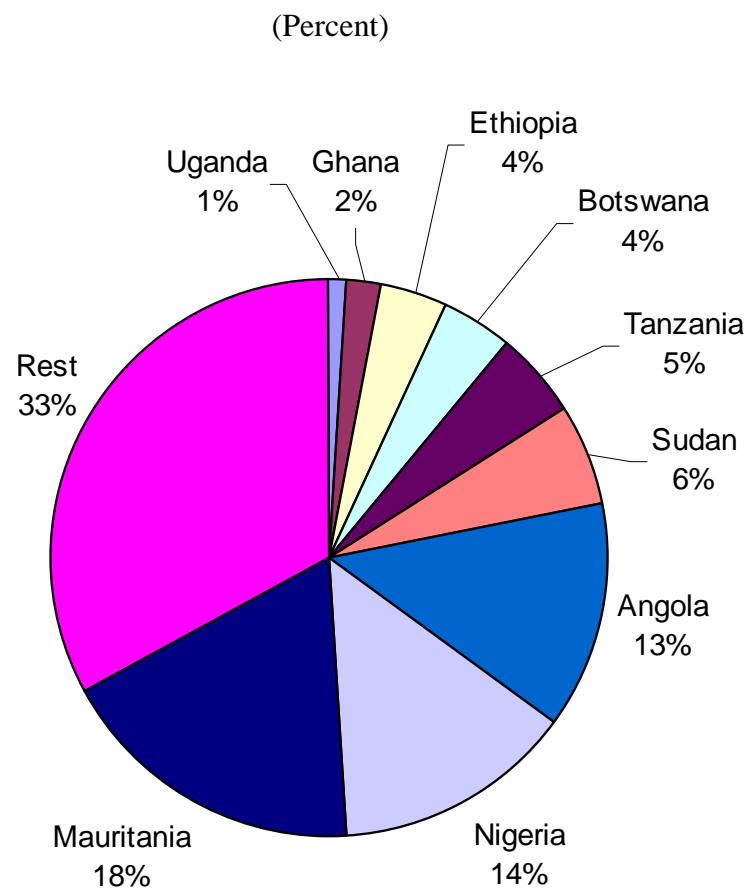
Figure 12: Trend in Chinese Foreign Economic Cooperation in Sub-Sahara Africa, 2002-2005

(Million US\$)



Source: Ministry of Commerce, PRC, 2006.

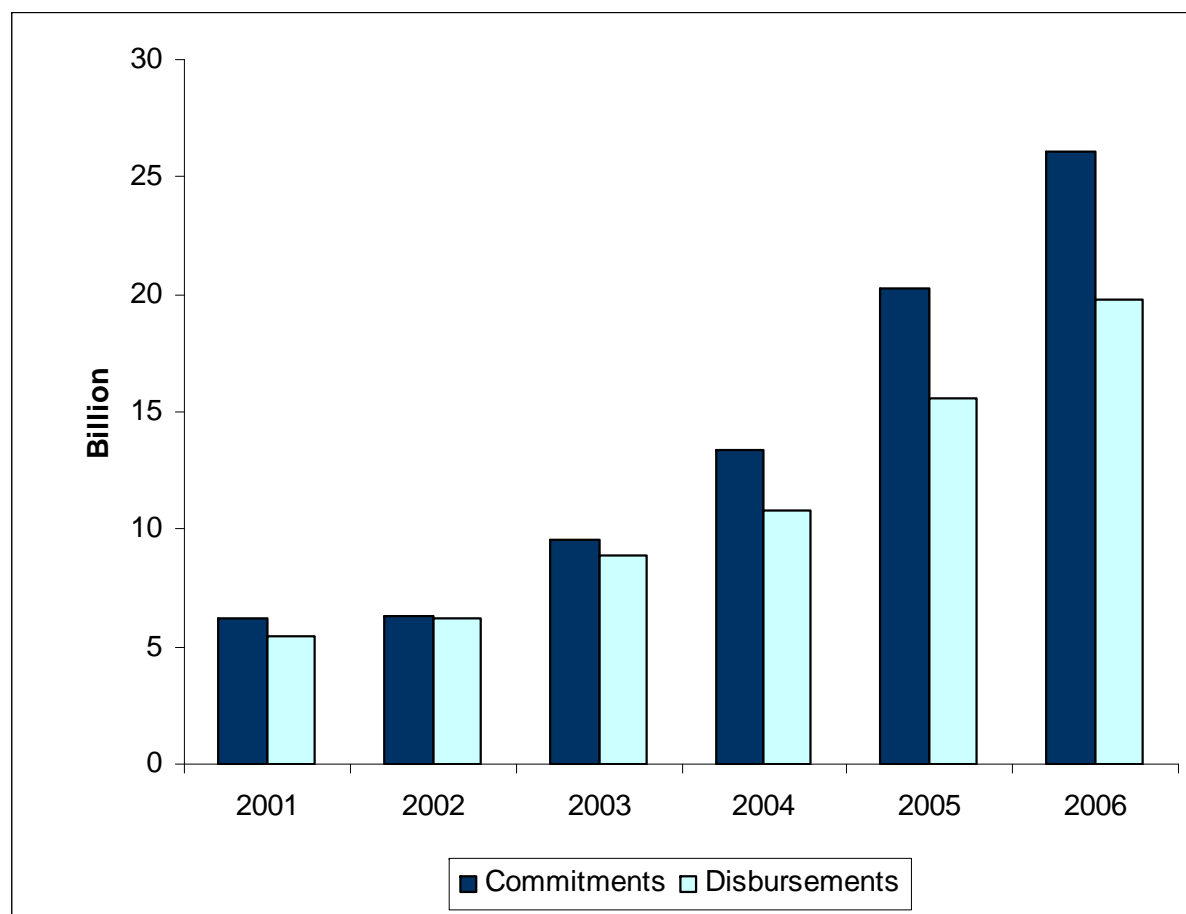
Figure 13: Destination in Chinese Foreign Economic Cooperation in Sub-Sahara Africa, 2002-2005



Source: Ministry of Commerce, PRC, 2006.

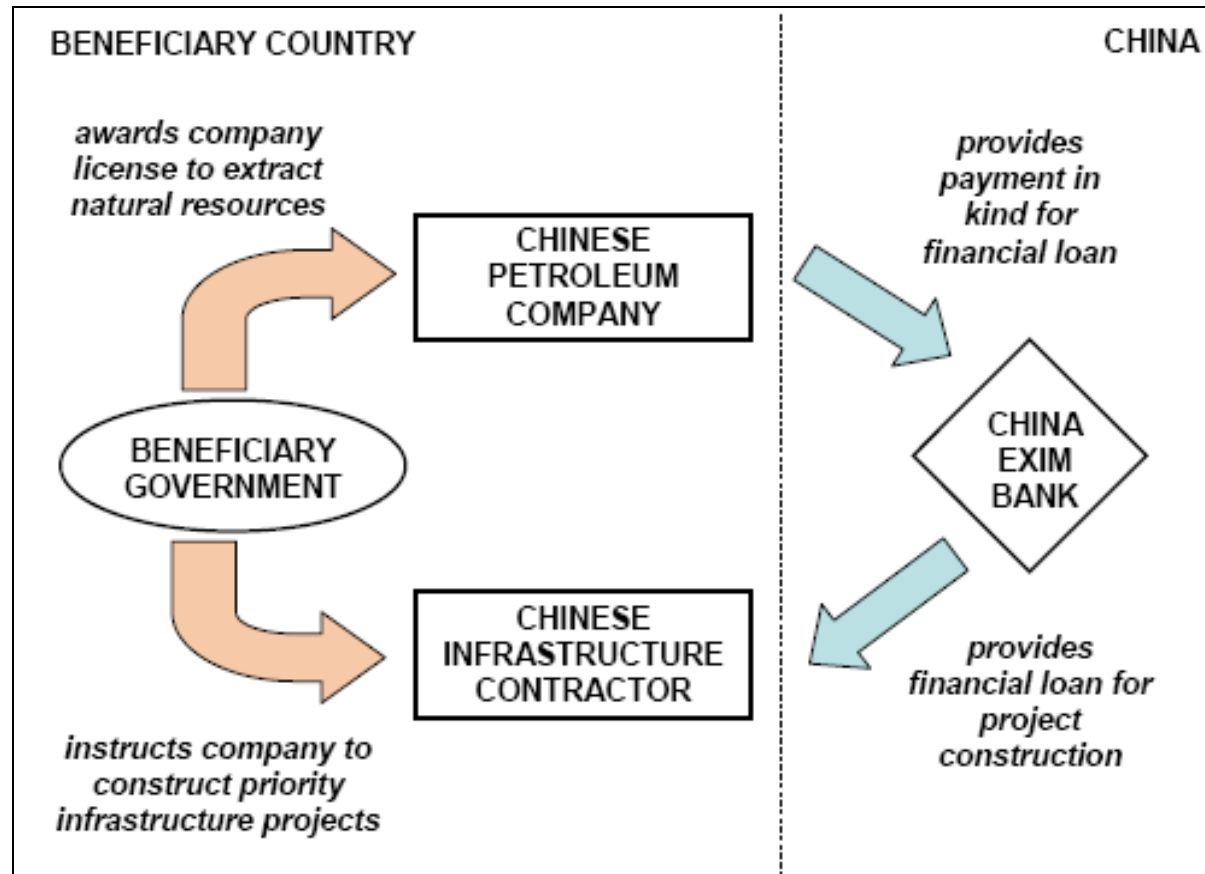
Figure 14: Commitments and Disbursements by China Ex-Im Bank, 2001–06

(Billion US \$)



Source: China Ex-Im Bank, 2007.

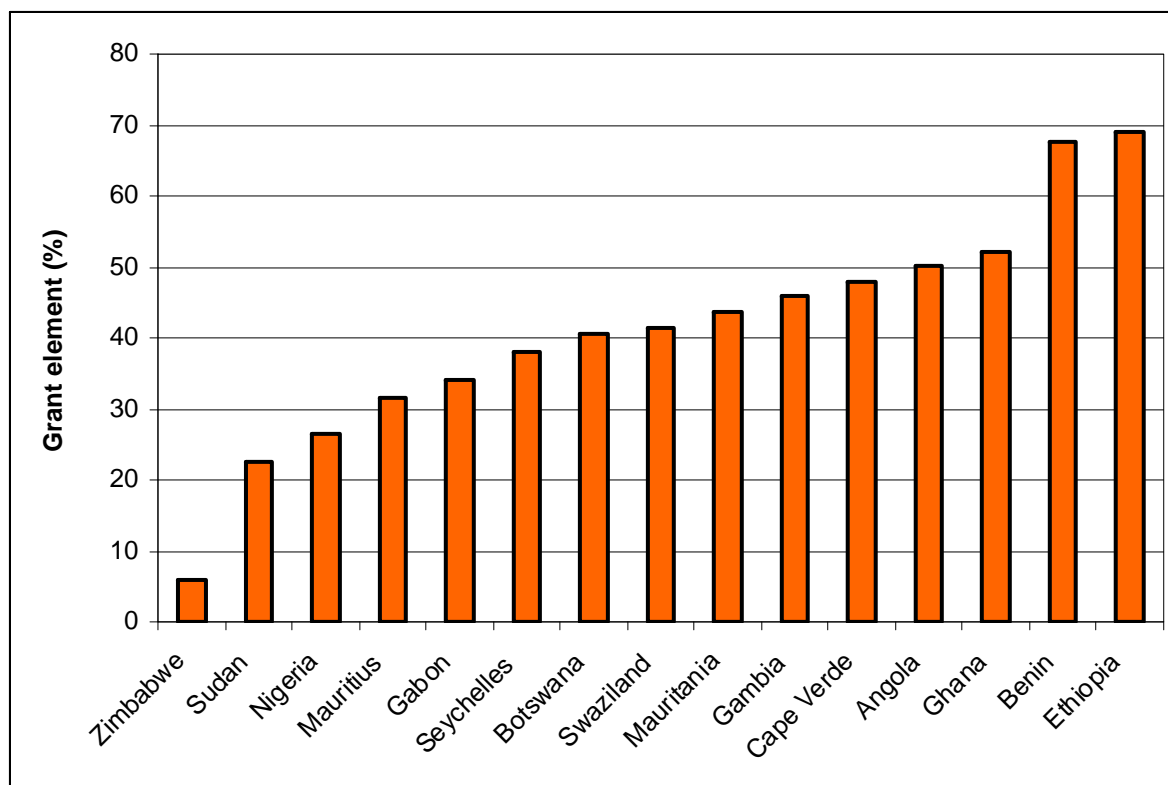
Figure 15: Structure of “Angola Mode” Arrangement



Source: Building Bridges: China's Growing Role as Infrastructure Financier for Africa, World Bank, 2008.

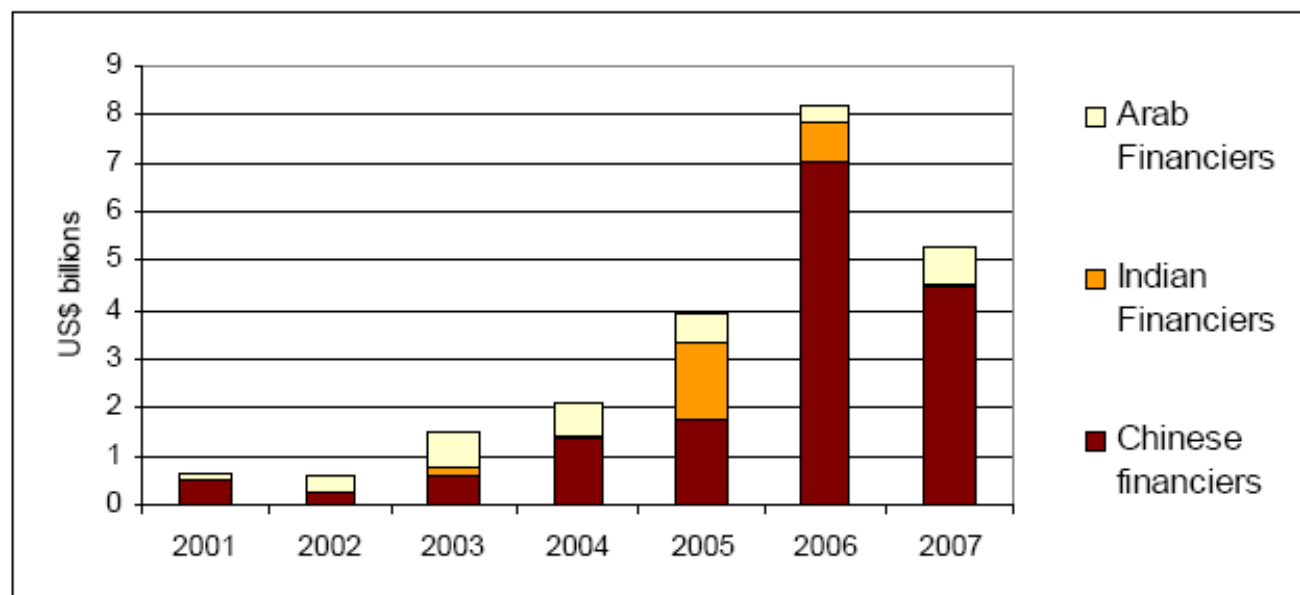
Figure 16: Average Grant Element of Chinese Lending to Selected Sub-Saharan African Countries, 2002/06

(Percent)



Source: Building Bridges: China's Growing Role as Infrastructure Financier for Sub-Saharan Africa by Vivien Foster, William Butterfield, Chuan Chen, and Nataliya Pushak based on World Bank's, Debtor Reporting System, 2006 and World Development Indicators.

Figure 17: Non-OECD Infrastructure Finance in Sub-Saharan Africa, 2001–07

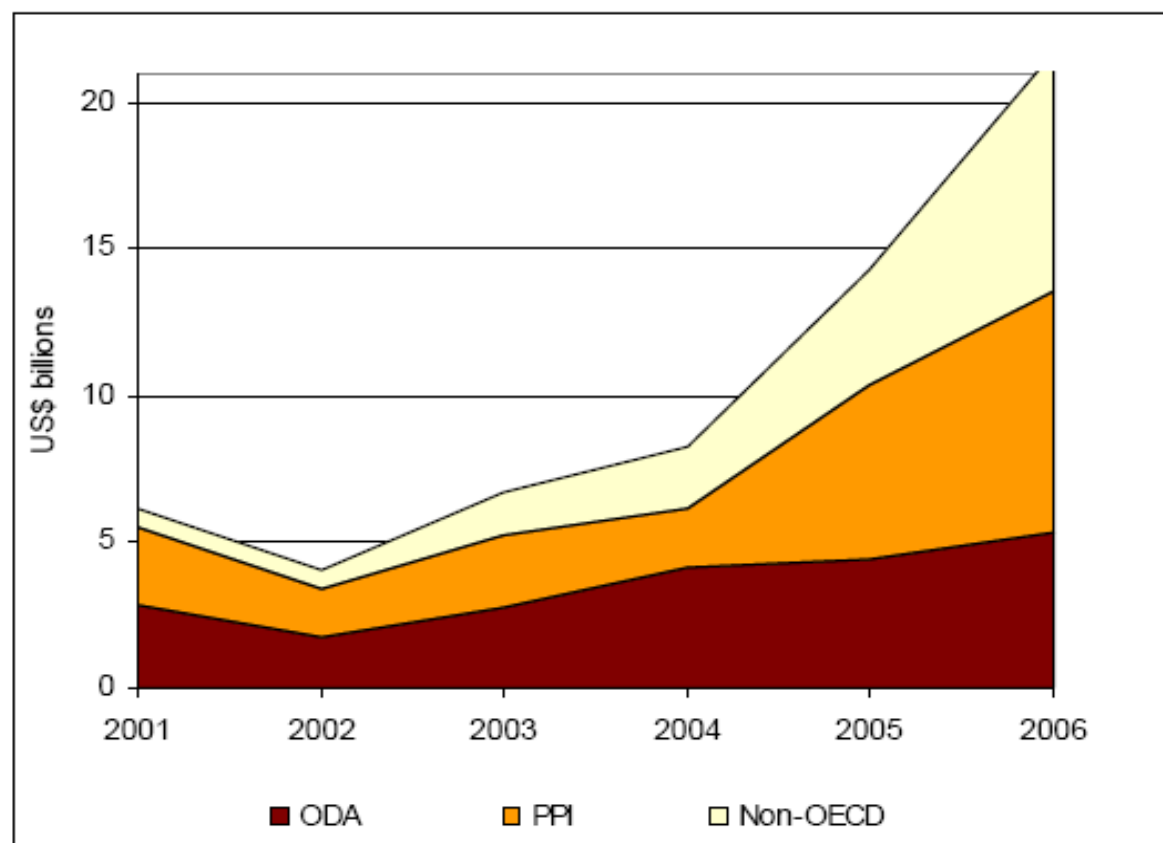


Note: Figures for China include only projects that could be confirmed from Chinese sources. Only financing from official or SOE sources is reported

Source: Building Bridges: China's Growing Role as Infrastructure Financier for Sub-Saharan Africa by Vivien Foster, William Butterfield, Chuan Chen, and Nataliya Pushak based on World Bank-PPIAF Chinese Projects Database, 2007.

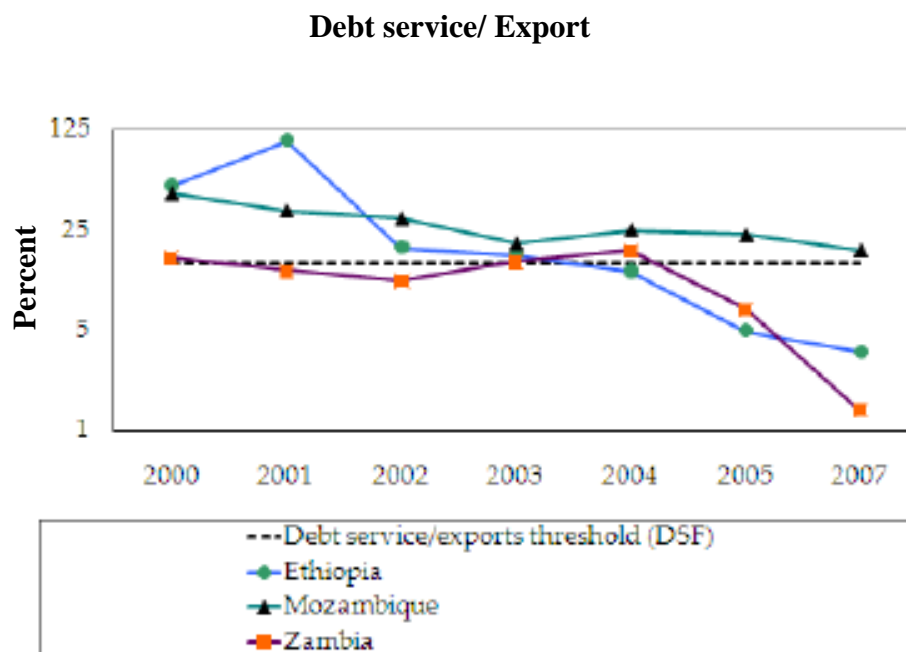
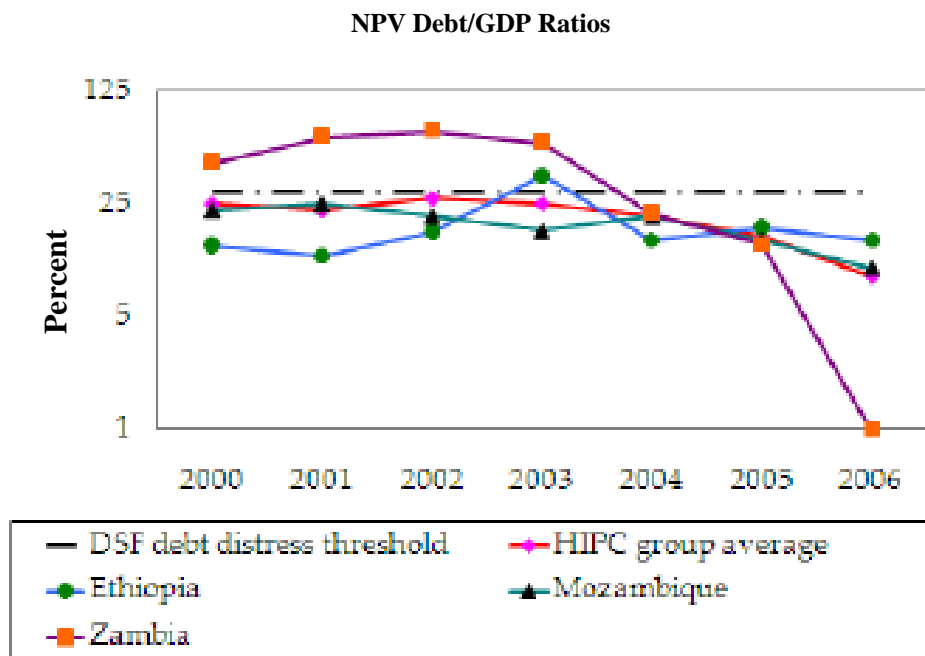
Figure 18: External Infrastructure Finance in Sub-Saharan Africa, 2001-2006.

(Billion US\$)



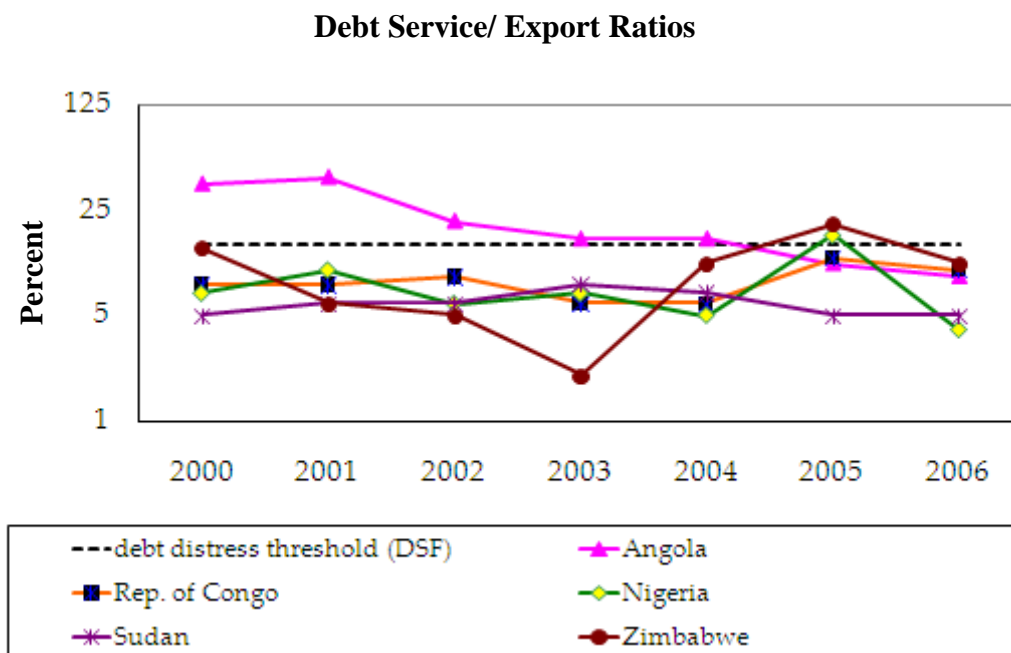
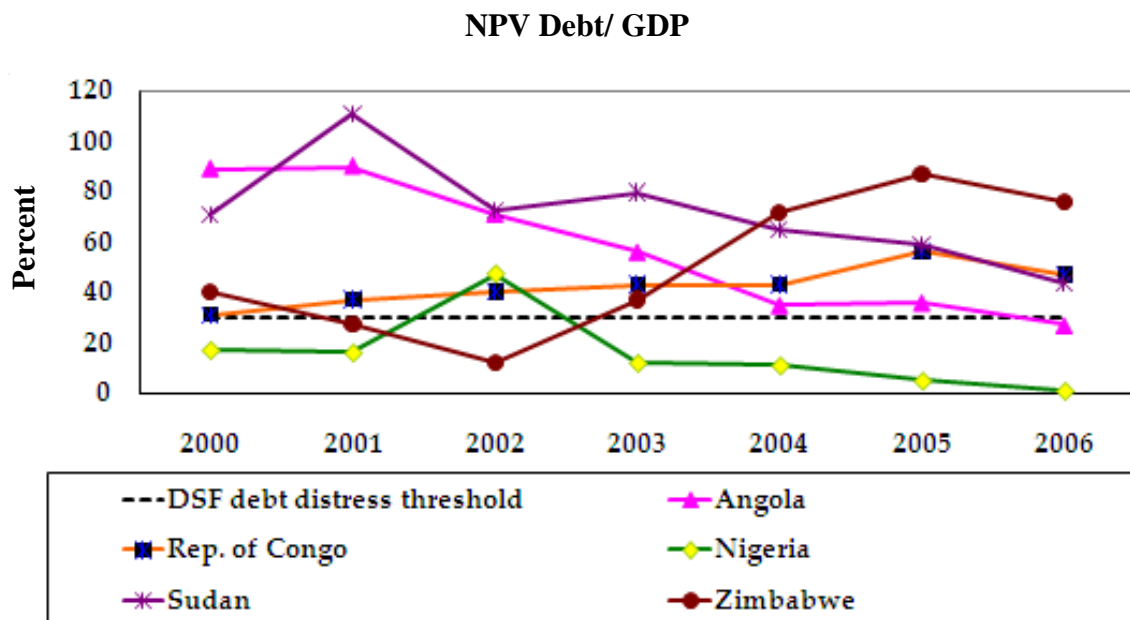
Source: World Bank–PPIAF Chinese Projects Database; World Bank–PPIAF PPI database (ppi.worldbank.org); OECD database (<http://stats.oecd.org>), as of 2008.

Figure 19: Trend in Debt Ratios in Selected HIPC Countries, 2000-2006



Source: Prudent versus Imprudent Lending to Africa: From Debt Relief to Emerging Lenders by Reisen and Ndoye, OECD Working Group Paper, 2008.

Figure 20: Trends in Debt Ratios in Selected Resource-Rich Countries



Source: Source: Prudent versus Imprudent Lending to Africa: From Debt Relief to Emerging Lenders by Reisen and Ndoye, OECD Working Group Paper, 2008

Table 1:Sub-Saharan Africa: Overview of External Financing, 1995-2007

(Million US \$)

| | 1995 | 2000 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Exports of Good and Services | 92,980 | 118,441 | 151,317 | 192,618 | 243,588 | 290,342 | 330,200 |
| Remittances | 3,177 | 4,614 | 5,958 | 8,007 | 9,298 | 10,327 | 10,848 |
| Grants¹ | 13,390 | 10,771 | 21,752 | 23,879 | 29,813 | 70,403 | 31,408 |
| CPA | 10,484 | 10,025 | 13,273 | 14,273 | 15,051 | 16,999 | 23,719 |
| Official Loans | 2,919 | 679 | 1,518 | 2,317 | -663 | -2,512 | 1,713 |
| Private Debt | 1,063 | 317 | 904 | 2,769 | 4,900 | -2,181 | 17,512 |
| FDI | 4,520 | 6,789 | 14,378 | 12,485 | 17,289 | 17,063 | 25,283 |
| Portfolio Equity | 2,954 | 4,164 | 739 | 6,684 | 7,381 | 15,088 | 10,200 |

¹Total Grants including Technical Cooperation and Debt Relief

Source: Global Development Finance database World Bank and DAC/OECD.

Table 2: Indicators of Infrastructure Development in Sub-Saharan Africa and Other Developing Regions

| Indicator | Sub-Saharan Africa | South Asia | East Asia and Pacific | Europe and Central Asia | Latin America and Caribbean | Middle East and North Africa |
|------------------------|---------------------------|-------------------|------------------------------|--------------------------------|------------------------------------|-------------------------------------|
| Transport | | | | | | |
| • Paved road density | 49 | 149 | 59 | 335 | 418 | 482 |
| • Total road density | 152 | 306 | 237 | 576 | 740 | 599 |
| ICT | | | | | | |
| • Mainline teledensity | 33 | 39 | 90 | 261 | 197 | 100 |
| • Mobile teledensity | 101 | 86 | 208 | 489 | 350 | 224 |
| • Internet density | 3 | 2 | 7 | 16 | 14 | 10 |
| Power | | | | | | |
| • Generation capacity | 70 | 154 | 231 | 970 | 464 | 496 |
| • Electricity access | 18 | 44 | 57 | — | 79 | 88 |
| Water and Sanitation | | | | | | |
| • Improved water | 63 | 72 | 75 | 87 | 90 | 85 |
| • Improved sanitation | 35 | 48 | 60 | 78 | 77 | 77 |

Source: Yepes et al., 2007.

Note: Data corresponds to the most recent year available for the quinquennium 2000/05. Road densities measured in kilometers per thousand square kilometers; teledensities measured in subscribers per thousand population; generation capacity measured in megawatts per million population; access to electricity and to improved water and sanitation measured in percentage of households. — = not available.

Table 3: Impact of Unreliable Infrastructure Services on the Productive Sector

| | Sub-Saharan Africa | Other developing regions |
|--|-------------------------------|-------------------------------------|
| Electricity | | |
| ▪ Delay in obtaining electricity connection (days) | 79.9 | 27.5 |
| ▪ Electrical outages (days/year) | 90.9 | 28.7 |
| ▪ Value of lost output due to electrical outages (% of turnover) | 6.1 | 4.4 |
| ▪ Firms maintaining own generation equipment (% of total) | 47.5 | 31.8 |
| Telecom | | |
| ▪ Delay in obtaining telephone line (days) | 96.6 | 43.0 |
| ▪ Telephone outages (days/year) | 28.1 | 9.1 |

Source: World Bank Investment Climate Assessments from the period 2000/05.

Note: Data for Sub-Saharan Africa for 6 countries; data for other developing regions are for 55 countries.

Table 4: Sub-Saharan Africa: Impact of 2008 Food and Fuel Price Increases on LICs

(Percent of 2007 GDP)

| | BOP Impact ¹ | | | | | Memo: |
|-----------------------------------|-------------------------|-------|---------------------|-------------------|-------------|--|
| | Food | Oil | Food and Oil Shocks | Other Commodities | Total Shock | Food and Oil BOP Impact/Reserves (Percent) |
| Oil-exporting countries | | | | | | |
| Cameroon | -0.7 | 5.3 | 4.7 | 0.5 | 5.1 | 35.4 |
| Nigeria | -0.7 | 16.1 | 15.5 | 0.0 | 15.5 | 49.0 |
| Chad | -0.3 | 22.8 | 22.5 | 0.5 | 23.0 | 179.9 |
| Gabon | -0.3 | 26.1 | 25.8 | 0.1 | 26.0 | 258.8 |
| Congo, Rep. | -0.6 | 33.1 | 32.5 | 0.1 | 32.6 | 126.5 |
| Angola | -0.5 | 37.7 | 37.2 | 0.0 | 37.2 | 188.6 |
| Equatorial Guinea | -0.3 | 51.8 | 51.5 | 0.1 | 51.5 | 157.2 |
| Other Low-Income Countries | | | | | | |
| Liberia | -4.5 | -11.1 | -15.5 | 0.3 | -15.3 | -96.0 |
| Guinea-Bissau | -1.1 | -7.6 | -8.8 | 0.0 | -8.8 | -31.5 |
| Eritrea | -2.4 | -6.1 | -8.5 | -0.1 | -8.6 | -407.7 |
| Togo | -0.4 | -5.6 | -6.0 | 0.6 | -5.5 | -33.6 |
| Comoros | -2.7 | -2.9 | -5.6 | -0.9 | -6.5 | -24.7 |
| Malawi | -0.8 | -2.9 | -3.7 | -1.0 | -4.7 | -58.2 |
| Guinea | -1.6 | -3.6 | -5.2 | 1.0 | -4.2 | -148.1 |
| Gambia, The | -2.7 | -2.3 | -5.1 | 0.0 | -5.1 | -27.1 |
| Sierra Leone | -0.9 | -3.7 | -4.6 | 0.1 | -4.4 | -36.7 |
| Madagascar | -0.7 | -3.1 | -3.8 | 0.0 | -3.7 | -34.4 |
| Burundi | -0.4 | -3.9 | -4.3 | 0.9 | -3.4 | -31.4 |
| Ethiopia | -0.8 | -2.6 | -3.4 | 0.4 | -3.0 | -71.7 |
| Burkina Faso | -0.3 | -2.7 | -3.0 | 0.5 | -2.5 | -22.1 |
| Central African Rep. | -0.8 | -1.8 | -2.5 | 0.1 | -2.4 | -61.3 |
| Benin | -0.6 | -2.0 | -2.5 | 0.3 | -2.2 | -11.8 |
| Mali | -0.6 | -2.9 | -3.5 | 5.4 | 1.9 | -22.4 |
| Zimbabwe | -0.4 | -1.7 | -2.0 | 0.8 | -1.3 | -116.6 |
| Congo, Dem. Rep. | -1.5 | 0.0 | -1.5 | 0.0 | -1.5 | -79.4 |
| Ghana | -2.3 | -8.1 | -1.0 | 5.5 | -4.9 | -49.6 |
| Kenya | -0.8 | -3.6 | -4.4 | 0.3 | -4.2 | -38.8 |
| Tanzania | -0.9 | -4.6 | -5.5 | 1.7 | -3.8 | -35.1 |
| Mozambique | -1.1 | -3.1 | -4.2 | 0.5 | -3.8 | -24.3 |
| Zambia | -0.1 | -2.7 | -2.8 | -0.1 | -2.9 | -28.8 |
| Rwanda | -0.4 | -2.0 | -2.4 | 0.3 | -2.2 | -14.4 |
| São Tomé & Príncipe | -0.4 | -2.0 | -2.4 | 0.3 | -2.2 | -8.9 |
| Senegal | -1.5 | -4.0 | -5.5 | 0.0 | -5.5 | -39.4 |
| Uganda | -0.7 | -2.1 | -2.7 | 0.8 | -2.0 | -12.3 |
| Niger | -0.7 | -0.8 | -1.5 | 3.6 | 2.1 | -12.1 |
| Côte d'Ivoire | -1.1 | 2.0 | 0.9 | 2.1 | -3.0 | 9.3 |

Source: UN Comtrade; IMF, World Economic Outlook; and IMF staff calculations.

¹The BOP impact is calculated as the trade balance change resulting from changes in the terms of trade for each low-income country in SSA. It measures the effect of the expected increase in prices of exports and imports in 2008 compared to 2007, taken as given the 2007 volumes of trade, as a share of GDP. The oil prices used in the calculations are \$71.1/barrel in 2007 and \$112/barrel in 2008.

Table 5: Net ODA from Non-DAC OECD Members, 2002-2007

(Millions in 2006 US\$)

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|--|-------------|-------------|--------------|--------------|--------------|-----------|
| Czech Republic | 70 | 119 | 124 | 145 | 161 | 155 |
| Hungary | .. | 25 | 72 | 99 | 149 | 75 |
| Iceland | 19 | 22 | 24 | 27 | 41 | 39 |
| Korea | 384 | 467 | 506 | 807 | 455 | 650 |
| Poland | 20 | 37 | 144 | 217 | 297 | 306 |
| Slovak Republic | 12 | 21 | 32 | 60 | 55 | 55 |
| Turkey | 122 | 90 | 319 | 628 | 714 | .. |
| TOTAL | 628 | 782 | 1 222 | 1 982 | 1 873 | .. |
| <i>of which: Bilateral</i> | | | | | | |
| OECD Non-DAC | | | | | | |
| Czech Republic | 48 | 106 | 73 | 69 | 78 | 74 |
| Hungary | .. | 16 | 36 | 39 | 84 | 28 |
| Iceland | 7 | 18 | 18 | 20 | 28 | 29 |
| Korea | 285 | 313 | 396 | 497 | 376 | 447 |
| Poland | 13 | 26 | 31 | 51 | 119 | 124 |
| Slovak Republic | 7 | 12 | 12 | 33 | 25 | 23 |
| Turkey | 45 | 36 | 275 | 556 | 643 | .. |
| TOTAL | 405 | 526 | 841 | 1 264 | 1 352 | .. |
| Memo ODA to Sub-Sahara Africa (SSA) | | | | | | |
| Czech Republic | 1.8 | 2.8 | 4.4 | 4.3 | 5.7 | .. |
| Hungary | .. | 0.0 | 0.1 | 9.4 | .. | .. |
| Iceland | 6.5 | 6.2 | 6.8 | 6.8 | 10.7 | .. |
| Korea | 3.6 | 19.5 | 26.4 | 35.9 | 38.9 | .. |
| Poland | 0.6 | 0.7 | 11.8 | 1.0 | 93.5 | .. |
| Slovak Republic | 0.5 | 2.9 | 0.8 | 19.5 | 16.3 | .. |
| Turkey | 0.1 | 0.1 | 3.1 | 3.5 | 21.5 | .. |
| TOTAL | 13.1 | 32.2 | 53.3 | 80.3 | 186.6 | .. |

Source: OECD/DAC

Table 6a: Commitments from Arab Countries and Funds, 2004-2007

(US \$million)

| Institutions | 2004 | (%) | 2005 | (%) | 2006 | (%) | 2007 | (%) |
|---|---------|-------|---------|-------|---------|-------|---------|-------|
| Bilateral | | | | | | | | |
| Kuwait Fund for Arab Economic Development | 487.3 | 15.3 | 770.4 | 20.0 | 489.9 | 12.2 | 557.1 | 10.7 |
| Saudi Fund for Development | 191.4 | 6.0 | 194.3 | 5.1 | 274.9 | 6.9 | 304.1 | 5.8 |
| Abu Dhabi Fund for Development | 10.0 | 0.3 | 104.8 | 2.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Multilateral | | | | | | | | |
| Arab Fund for Economic and Social Development | 1,058.8 | 33.3 | 1,161.0 | 30.2 | 1,272.6 | 31.7 | 1,855.1 | 35.6 |
| Arab Bank for Economic Development in Africa | 187.0 | 5.9 | 152.6 | 4.0 | 181.2 | 4.5 | 153.8 | 3.0 |
| Islamic Development Bank | 945.1 | 29.7 | 933.5 | 24.3 | 1,418.1 | 35.4 | 1,648.0 | 31.6 |
| OPEC Fund for International Development | 297.8 | 9.4 | 528.3 | 13.7 | 372.0 | 9.3 | 692.4 | 13.3 |
| Total | 3,177.4 | 100.0 | 3,844.9 | 100.0 | 4,008.7 | 100.0 | 5,210.6 | 100.0 |

Source: Coordination Secretariat. Arab Fund for Economic and Social Development

Table 6b: Regional Distribution of Commitments from Arab Countries and Funds to Sub-Sahara Africa, 2004-2007

(US \$million)

| Regions | 2004 | (%) | 2005 | (%) | 2006 | (%) | 2007 | (%) |
|--------------------------------|--------|-------|--------|-------|--------|-------|--------|-------|
| 1. Arab Countries ¹ | 1395.0 | 43.9 | 2078.5 | 54.1 | 2508.3 | 62.6 | 2564.4 | 49.2 |
| 2. African Countries | 1059.6 | 33.3 | 922.6 | 24.0 | 772.9 | 19.3 | 1652.7 | 31.7 |
| 3. Asian Countries | 649.3 | 20.4 | 687.4 | 17.9 | 617.3 | 15.4 | 833.8 | 16.0 |
| 4. Latin Countries | 31.4 | 1.0 | 103.6 | 2.7 | 81.6 | 2.0 | 68.0 | 1.3 |
| 5. Other Countries | 35.3 | 1.1 | 41.7 | 1.1 | 25.9 | 0.6 | 86.9 | 1.7 |
| 6. Agencies & Organizations | 6.8 | 0.2 | 11.2 | 0.3 | 2.7 | 0.1 | 4.8 | 0.1 |
| Grand Total | 3177.4 | 100.0 | 3845.0 | 100.0 | 4008.7 | 100.0 | 5210.6 | 100.0 |

¹ Does not include Arab countries from Sub-Sahara Africa (Mauritania, Sudan and Somalia)

Source: Coordination Secretariat. Arab Fund for Economic and Social Development

Table 7: Trends in Debt Indicators for Sub-Saharan Africa

| | 2000 | 2003 | 2004 | 2005 | 2006 |
|-----------------------|-------|-------|-------|------|------|
| Total Debt /Exports | 178.9 | 152.3 | 124.1 | 88.8 | 59.8 |
| Total Debt/GNI | 66.3 | 56.5 | 48.2 | 37.1 | 26.2 |
| Debt Services/Exports | 11.4 | 7.4 | 5.8 | 8.3 | 7.4 |
| Interest /Exports | 3.8 | 2.1 | 1.6 | 3.3 | 1.5 |
| Interest/GNI | 1.4 | 0.8 | 0.6 | 1.4 | 0.7 |

Source: Global Development Finance, 2008.

Note: GNI is gross national income; exports are exports of goods and service.

Table 8: Comparison of Debt Relief with Chinese Loan Commitments, 2000/07

(US\$ millions except where otherwise specified)

| Country | Paris Club (since 2000) (A) | HIPC (IDA) (B) | MDRI (IDA) (C) | Total Debt Relief (A+B+C) | Chinese Infrastructure Finance (D) | Chinese Finance Over Western Debt Relief (%) (D)/(A+B+C) |
|-------------------------------|--------------------------------------|----------------------|----------------------|------------------------------------|---|--|
| Angola | 0 | 0 | 0 | 0 | 3,200 | n.a. |
| Burundi | 90 | 1,465 | 0 | 1,555 | 8 | 1 |
| Cameroon | 1,990 | 4,917 | 1,266 | 8,173 | 24 | 0 |
| CAR | 0 | 0 | 0 | 0 | 67 | n.a. |
| Comoros | 0 | 0 | 0 | 0 | 8 | n.a. |
| Congo, Democratic Republic | 4,640 | 10,389 | 0 | 15,029 | 10 | 0 |
| Congo, Republic | 1,680 | 2,881 | 0 | 4,561 | 503 | 11 |
| Côte d' Ivoire | 0 | 0 | 0 | 0 | 30 | n.a. |
| Ethiopia | 1,433 | 3,275 | 3,208 | 7,916 | 1,585 | 20 |
| Ghana | 941 | 3,500 | 3,801 | 8,242 | 980 | 12 |
| Guinea | 70 | 800 | 0 | 870 | 1,002 | 115 |
| Kenya | 0 | 0 | 0 | 0 | 51 | n.a. |
| Mali | 149 | 895 | 1,914 | 2,958 | 1 | 0 |
| Mauritania | 210 | 1,100 | 855 | 2,165 | 844 | 39 |
| Mozambique | 2,270 | 4,300 | 1,990 | 8,560 | 0 | 0 |
| Niger | 244 | 1,190 | 1,026 | 2,460 | 68 | 3 |
| Nigeria | 10,022 | 0 | 0 | 10,022 | 5,398 | 54 |
| Rwanda | 82 | 709 | 347 | 1,138 | 0 | 0 |
| Senegal | 149 | 164 | 1,854 | 2,167 | 100 | 5 |
| Sierra Leone | 468 | 994 | 644 | 2,106 | 34 | 2 |
| Sudan | 0 | 0 | 0 | 0 | 1,330 | n.a. |
| Tanzania | 1,613 | 1,157 | 2,804 | 5,574 | 21 | 0 |
| Togo | 1,423 | 0 | 0 | 1,423 | 0 | 2 |
| Zambia | 1,403 | 885 | 1,875 | 4,163 | 0 | 0 |
| Zimbabwe | 0 | 0 | 0 | 0 | 500 | n.a. |
| Total | 28,877 | 38,621 | 21,584 | 89,082 | 15,764 | 20 |

Sources: Building Bridges: China's Growing Role as Infrastructure Financier for Sub-Saharan Africa by Vivien Foster, William Butterfield, Chuan Chen, and Nataliya Pushak based on Paris Club, International Development Association, Chinese Projects Database, 2007.

n.a. = not applicable.

Table 9: Change in Total Long-Term Debt, 2000-2006

| | Mauritania | Angola | Nigeria | Sudan | Ghana | Ethiopia | Senegal | Gabon | Guinea | Rep. of Congo |
|---------------------|-------------|-------------|---------------|-------------|--------------|--------------|--------------|------------|-----------|---------------|
| Multilateral | -253 | 104 | -450 | 748 | -2420 | -1628 | -925 | -35 | 194 | 680 |
| Concessional | -300 | 144 | 960 | 725 | -2349 | -1586 | -877 | 42 | 312 | 800 |
| Non-Concessional | 47 | -40 | -1410 | 23 | -71 | -42 | -48 | -77 | -118 | -120 |
| Bilateral | -378 | -211 | -22997 | -135 | -733 | -1690 | -559 | 296 | -153 | -474 |
| Concessional | -259 | 32 | -427 | 70 | -747 | -1693 | -263 | -619 | -147 | 201 |
| Non-Concessional | -119 | -243 | -22570 | -205 | 14 | 3 | -296 | 915 | -6 | -675 |
| Private Creditors | 3 | -586 | -2988 | 547 | -207 | 203 | 140 | 144 | 0 | 1378 |
| Total Change | -628 | -693 | -26435 | 1160 | -3360 | -3115 | -1344 | 405 | 41 | 1584 |

Source: Global Development Finance, 2008.