UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

ECONOMIC DEVELOPMENT IN AFRICA

RECLAIMING POLICY SPACE

Domestic Resource Mobilization and Developmental States

UNITED NATIONS

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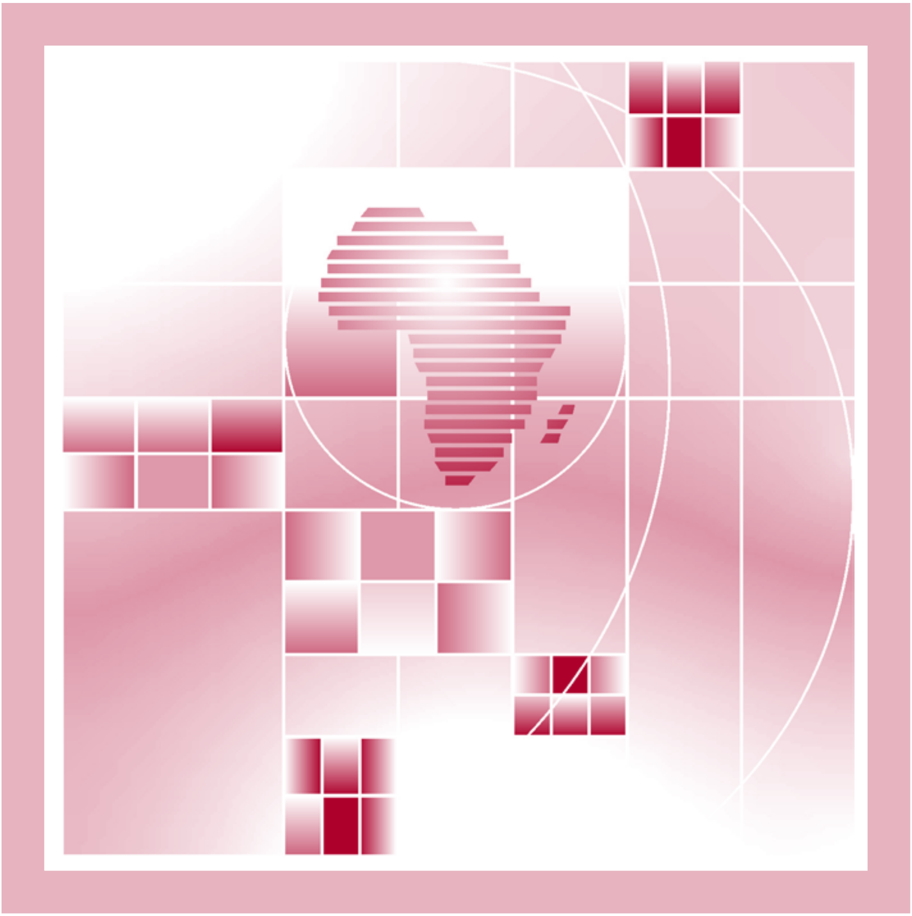

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Explanatory notes

The $ sign refers to the United States dollar.

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

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

Abbreviations

APRM	African Peer Review Mechanism
FDI	foreign direct investment
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GERD	gross expenditure on research and development
GNI	gross national income
ICT	information and communication technology
IMF	International Monetary Fund
ISI	import substituting industrialization
MDGs	Millennium Development Goals
NEPAD	New Partnership for Africa's Development
NIEs	newly industrializing economies
ODA	official development assistance
OECD	Organization for Economic Cooperation and Development
REI	rigidity of employment index
SAP	structural adjustment programme
WTO	World Trade Organization

Introduction

One of the most prominent objectives of the Millennium Development Goals (MDGs) adopted at the United Nations Millennium Summit in 2000 was to have member States halve their levels of absolute poverty by 2015. While some regions of the developing world have made sufficient progress towards achieving this goal, sub-Saharan Africa has been singled out as one region that is unlikely to meet the target by 2015 if current trends continue. Indeed, halfway through to the target year, the latest data on poverty shows that sub-Saharan Africa is the only developing region where the absolute number of poor people has been steadily increasing, even if the relative number declined from 47 per cent to 41 per cent of the total population between 1999 and 2004 (Chen and Ravaillon, 2007). One of the reasons why sub-Saharan Africa might miss the 2015 target is its relatively low rate of economic growth. Indeed, despite the recent gains made by a number of countries in terms of export revenue, thanks to high prices of some major primary commodities, the growth rate in sub-Saharan Africa as a region continues to fall short of the 7–8 per cent necessary to achieve the MDGs target on halving poverty.

To raise the growth rate and sustain it at the level that will allow African countries to halve poverty by 2015 requires a significant increase in the volume of foreign and domestic resources devoted to promoting overall development in general, and poverty reduction programmes in particular. There have been numerous international initiatives aimed at increasing the volume of official development assistance (ODA) and its grant element to poor countries.[1] However, donors are not on course to meet these pledges (OXFAM, 2007; The Economist, 2007), and the overall effect of these resources on poverty reduction has remained marginal. The limited development effectiveness of ODA has been partly associated with