



GRAIN FISH MONEY

Financing Africa's Green and Blue Revolutions

AFRICA PROGRESS REPORT 2014

AFRICA
PROGRESS PANEL

Summary of the APR 2014

About the Africa Progress Report

The annual Africa Progress Report is the flagship publication of the Africa Progress Panel. Published every year in May, the report draws on the best research and analysis available on Africa and compiles it in a refreshing and provocative manner. Through the report, and as part of its overall mission of promoting transformative change in Africa, the Panel makes viable, policy recommendations for African policy makers who have responsibility for Africa's progress, and for international partners and civil society organizations.

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About the Africa Progress Panel



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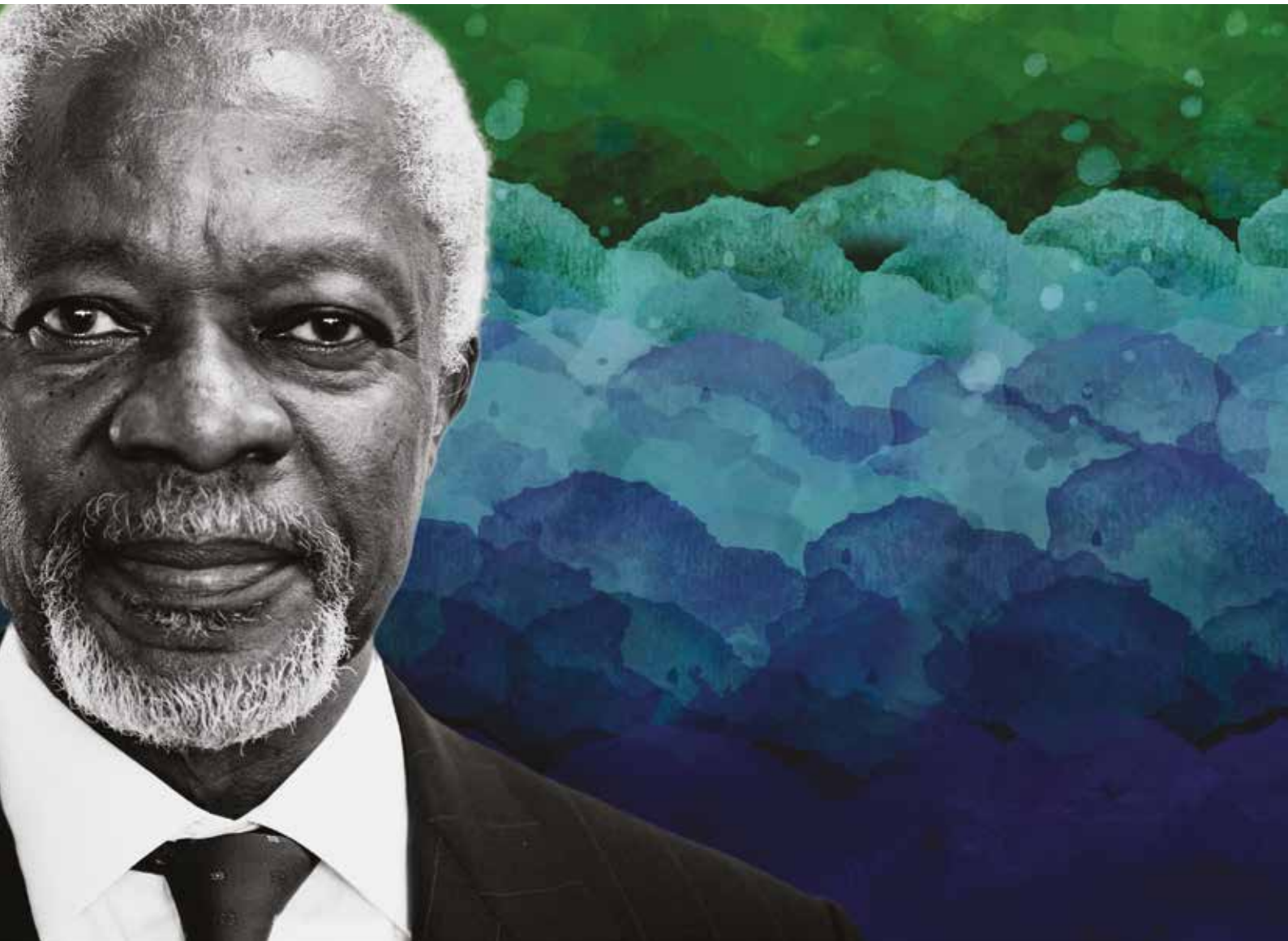


TIDJANE **THIAM**

The Africa Progress Panel (APP) consists of ten distinguished individuals who advocate for equitable and sustainable development for Africa. Kofi Annan, former Secretary-General of the United Nations and Nobel laureate, chairs the Panel and is closely involved in its day-to-day work.

The respected experience and prominence of Panel members, in the public and private sector, gives them a formidable capability to access a wide cross-section of society including at the highest levels in Africa and across the globe. As a result, the Panel functions in a unique policy space with the ability to target decision-making audiences, including African and other world leaders, heads of state, leaders of industry, plus a broad range of stakeholders at the global, regional, and national levels.

The Panel facilitates coalition building to leverage and broker knowledge, and convene decision-makers to influence policy and create change for Africa. The Panel has extensive networks of policy analysts across Africa. By bringing together experts with a focus on Africa, the Panel contributes to generating evidence-based policies.



Foreword

by **Kofi Annan**



“Africa’s fish and other harvests can help feed an expanding global population. We all benefit from an Africa that is prosperous, stable and fair.”

The world’s burgeoning population needs to be fed and Africa, our continent, is well positioned to do so. We have enough resources to feed not just ourselves but other regions too. We must seize this opportunity now.

Africa’s productivity levels, already beginning to increase, could easily double within five years. Indeed, our smallholder farmers, most of them women, have repeatedly proven how innovative and resilient they can be.

So why are they not yet thriving? The unacceptable reality is that too many African farmers still use methods handed from generation to generation, working their lands or grazing their animals much as their ancestors have done for millennia.

Africa may be showing impressive headline growth, but too many of our people remain stuck in poverty. This year's *Africa Progress Report* finds that if we want to accelerate Africa's transformation, then we have to significantly boost our agriculture and fisheries, which together provide livelihoods for roughly two-thirds of all Africans.

If we want to extend the recent economic successes of the continent to the vast majority of its inhabitants, then we must end the neglect of our farming and fishing communities. The time has come to unleash Africa's green and blue revolutions.

These revolutions will transform the face of our continent for the better. Beyond the valuable jobs and opportunities they will provide, such revolutions will generate a much-needed improvement to Africa's food and nutrition security. More than anything, malnutrition on our continent is a failure of political leadership. We must address such debilitating failure immediately.

Africa's farmers and fishers are equal to the challenge, but they need the opportunity. They need their governments to demonstrate more ambition on their behalf. African governments must now scale up the appropriate infrastructure and ensure that financial systems are accessible for all.

When farmers access finance – credit, savings, insurance – they can insure themselves against risks such as drought, and invest more effectively in better seeds, fertilizers and pest control. With access to decent roads and storage, farmers can get their harvests to market before they rot in the fields. Trade barriers and inadequate infrastructure are preventing our farmers from competing effectively. They are being told to box with their hands tied behind their backs.

No wonder Africa's food import bill is worth US\$35 billion (excluding fish) every year.

Investing in infrastructure will certainly be expensive. But at least some of the costs of filling Africa's massive infrastructure financing gap could be covered if the runaway plunder of Africa's natural resources is brought to a stop. Across the continent, this plunder is prolonging poverty amidst plenty. It has to stop, now. Last year's *Africa Progress Report* showed how illicit financial flows, often connected to tax evasion in the extractives industry, cost our continent more than it receives in either international aid or foreign investment.

This year's report shows how Africa is also losing billions to illegal and shadowy practices in fishing and forestry. We are storing up problems for the future. While personal fortunes are consolidated by a corrupt few, the vast majority of Africa's present and future generations are being deprived of the benefits of common resources that might otherwise deliver incomes, livelihoods and better nutrition. If these problems are not addressed, we are sowing the seeds of a bitter harvest.

Global collective action is needed to nurture transparency and accountability. In the year since our last report was published, notable action has been taken on beneficial ownership, tax avoidance and evasion, and resource revenues. Further technical and financial support to African governments will also help reduce the illicit flows of timber, fish and money.

With the same goals in mind, such action must be extended to the major international commodity traders, who play a critical role in African markets, from coffee through to oil. Too often these powerful and globally influential traders have been overlooked by national and international regulation.

We have a common interest in the success of these endeavours. African forests help the world to breathe. Along with African waters, they safeguard the priceless biodiversity of planet Earth. Africa's fish and other harvests can help feed an expanding global population. And we all benefit from an Africa that is prosperous, stable and fair.

Foreign investors are increasingly choosing Africa as a lucrative opportunity, and pouring money into agribusiness. At best these investments bring jobs, finance and critical knowhow. At worst, they deprive African people of their land and water. African governments must regulate these investments and use them to Africa's advantage. Agreements between African governments and business have to be mutually beneficial.

Africans overseas are also transferring significant sums of money into Africa, but remittance charges are unethically expensive. This overcharging impacts even more negatively on rural communities. Remitting US\$1,000 to Africa costs US\$124 compared with a global average of US\$78 and US\$65 for South Asia.

Unleashing Africa's green and blue revolutions may seem like an uphill battle, but several countries have begun the journey. In these countries, farmers are planting new seeds, using fertilizer and finding buyers for their harvests. Impressive innovation and smart government policies are changing age-old farming ways.

Mobile technology allows farmers to leapfrog directly to high productivity. Young entrepreneurs mix agriculture with 21st century global markets. Africa's resilience, creativity, and energy continue to impress. These qualities are critical to our green and blue revolutions, upon which Africa's future will depend.



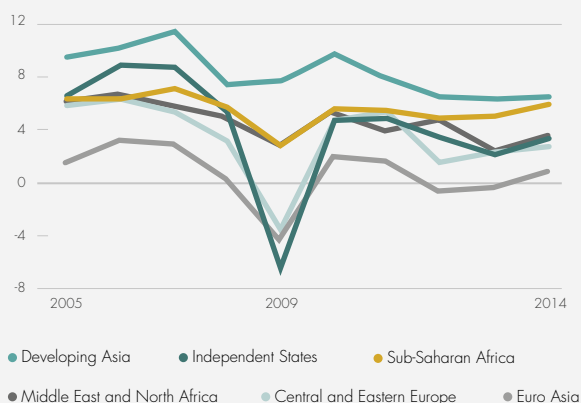
KOFI A. ANNAN

Chair of the Africa Progress Panel

OUR PROGRESS



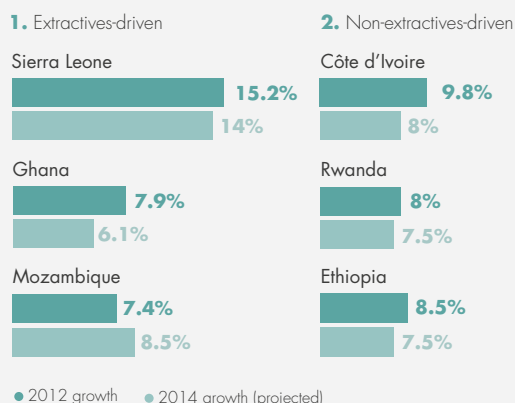
AFRICA REMAINS ONE OF THE WORLD'S FASTEST GROWING REGIONS



Source: IMF (2013), World Economic Outlook: Tensions and transitions.



DRIVERS OF GROWTH ARE BEYOND THE EXTRACTIVE INDUSTRIES

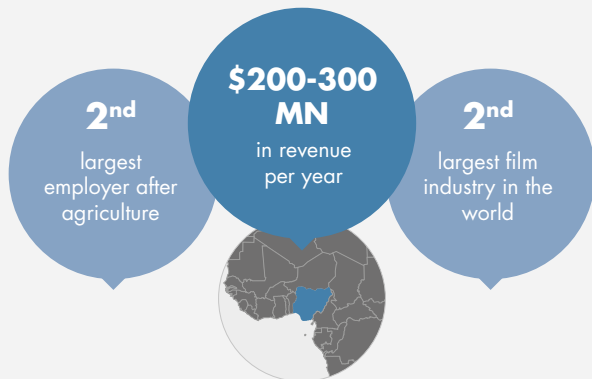


Source: IMF (Oct. 2013), Regional Economic Outlook for Sub-Saharan Africa: Keeping the pace.



CREATIVE INDUSTRIES ACROSS AFRICA ARE BOOMING

Nollywood, Nigeria's film industry, is a sector to watch

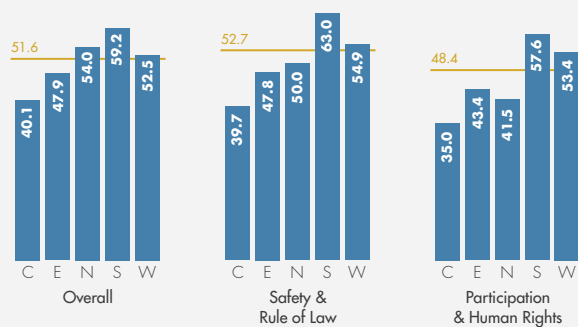


Sources: Africa Renewal (May 2013) and Financial Times (2013).



OVERALL GOVERNANCE IS IMPROVING: REGIONAL RESULTS 2012

Regional Category Scores: 2012



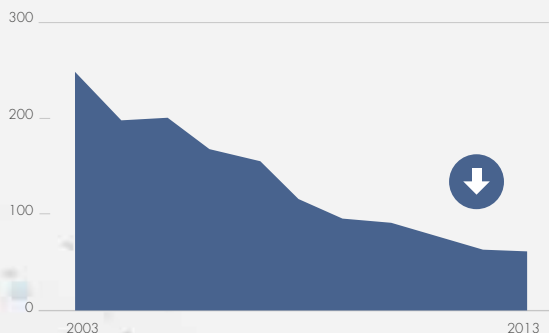
● Average
C = Central Africa E = East Africa N = North Africa S = Southern Africa W = West Africa

Source: Ibrahim Index of African Governance (2013).



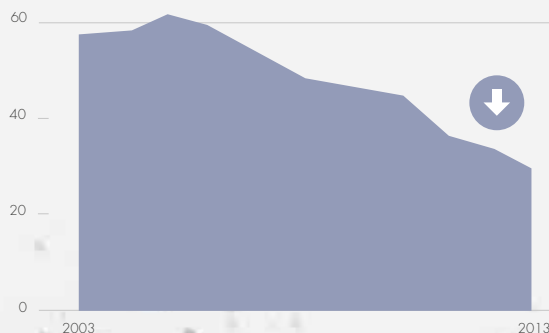
IT HAS BECOME EASIER & CHEAPER TO DO BUSINESS IN AFRICA

1. Cost of business start-up procedures (% of GNI per capita)



Source: The World Bank Group (2014), World Development Indicators.

2. Time required to start a business (days)



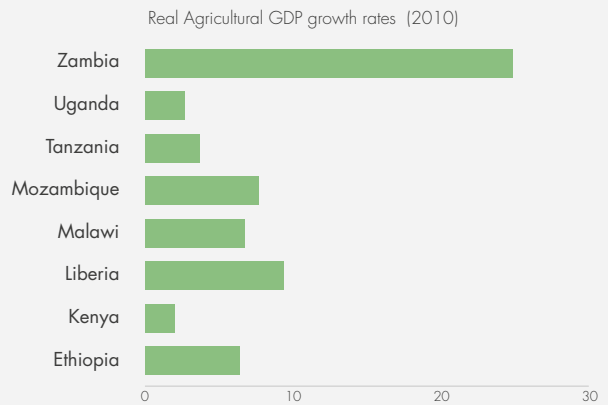
Source: The World Bank Group (2014), World Development Indicators.

MORE CHILDREN HAVE ACCESS TO EDUCATION THAN BEFORE, EVEN IF QUALITY REMAINS AN ISSUE



Source: UNESCO (2013/14), Education For All Global Monitoring Report.

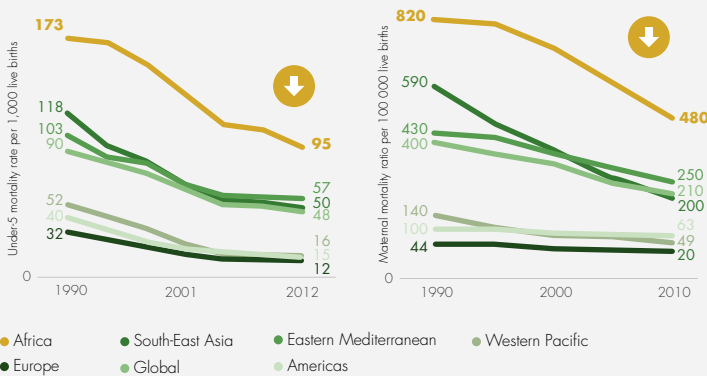
SOME COUNTRIES ARE SHOWING STRONG GROWTH IN AGRICULTURE



Source: AGRA (2013), African Agriculture Status Report.

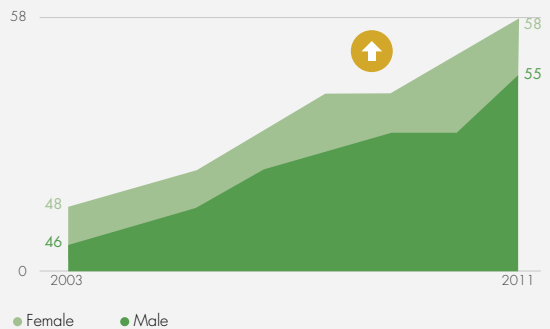
HEALTH LEVELS ARE IMPROVING

1. Child and maternal mortality rates are declining – but both still need to decline much further...



Source: WHO (2014), Atlas of African Health Statistics.

2. Life expectancy is increasing



WHO KNOWS? MAYBE 2014 WILL BE THE YEAR WHEN AN AFRICAN TEAM WINS THE WORLD CUP?

* Reached the quarter finals

1970-1990



African representation at the finals

- Algeria
- Egypt
- Zaire
- Tunisia
- Cameroon*
- Morocco

1991-2010



Greater representation at the finals

- Angola
- Côte d'Ivoire
- Morocco
- Nigeria
- South Africa
- Togo
- Senegal*
- Ghana*
- Tunisia
- Cameroon

Source: FIFA World Cup

DESPITE PROGRESS...

29 COUNTRIES IN AFRICA HAD
**AVERAGE GDP PER CAPITA
GROWTH OF LESS THAN**

3% BETWEEN
2000 AND 2012



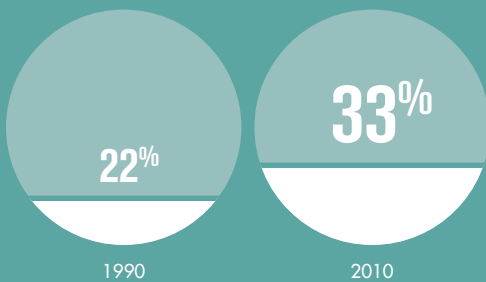
13%

AFRICA'S SHARE OF
WORLD POPULATION



1.6%

AFRICA'S SHARE OF
GLOBAL GDP



1990

2010

AFRICA'S SHARE OF
GLOBAL POVERTY



173
million

1990-2

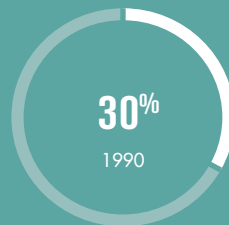
223
million

2010-3

NUMBER OF
UNDERNOURISHED



OF CHILDREN UNDER 5
ARE STUNTED



30%
1990



50%
2012

AFRICA'S SHARE OF GLOBAL
CHILD MORTALITY



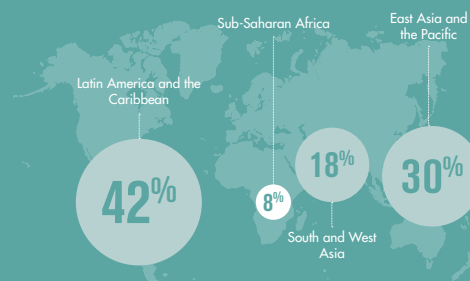
39%

1999

50%

2010

AFRICA'S GLOBAL SHARE OF
CHILDREN OUT OF SCHOOL



42%

8%

18%

30%

ENROLMENT IN
TERTIARY EDUCATION

Summary

"Africa is a land of opportunity ... business opportunities are there, growth is there and the population is there."

PRESIDENT MACKY SALL

Senegal, January 2014

"Families have lived off fish for generations...but fish stocks have been reduced. Our revenues have come down. We used to be able to save a bit for our children's education or to fix our boats but it has now become harder to make ends meet."

ISSA FALL, FISHERMAN COMMITTEE

Soumbédioune, Senegal, January 2014

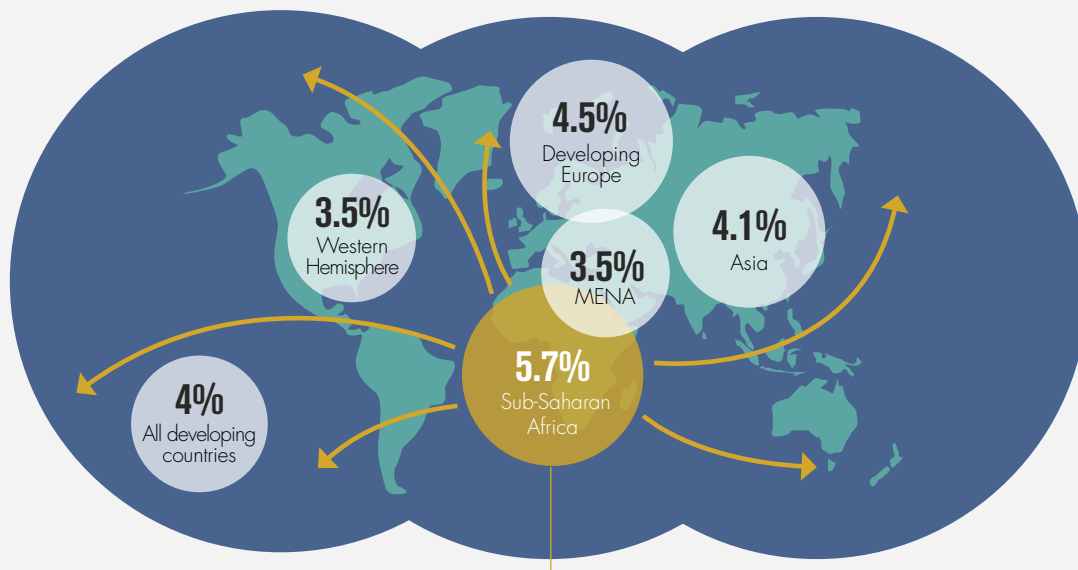
These two views from one country in Africa tell very different stories. President Macky Sall was speaking about his government's "Emergent Senegal" investment plan – a multibillion-dollar strategy for transforming the country's infrastructure. Ten years ago Senegal was still in the grip of a debt crisis. Now it is able to sell sovereign debt on eurobond markets. The economy is gaining strength, exports are growing and Senegal is emerging as a regional hub for transport, logistics and tourism.

Then there is the other Senegal – the Senegal of Issa Fall. Along with tens of thousands of artisanal fishers who ply their trade from *pirogues*, canoes built by hand from local timber, his livelihood is under threat. The ocean off West Africa is one of the world's richest fishing grounds. Yet catches are declining, along with the income they generate. The reason: illegal, unreported and unregulated fishing by commercial fleets from other countries. Senegal lacks the capacity to monitor the activities of these fleets. Until recently, it also lacked the political will to tackle the problem. Leaders and business interests actively colluded in, and benefited from, the illegal sale of permits to foreign fleets.

Senegal's experience is a microcosm of a wider story. For more than a decade, Africa's economies have been doing well, according to graphs that chart the growth of GDP, exports and foreign investment. The experience of Africa's people has been more mixed. Viewed from the rural areas and informal settlements that are home to most Africans, the economic recovery looks less impressive. Some – like the artisanal fishermen of West Africa – have been pushed to the brink of destitution. For others, growth has brought extraordinary wealth. Africa is now home to some of the world's fastest-growing markets for luxury goods – and signs of the new prosperity are increasingly visible alongside reminders of the old problem of poverty.

AFRICA'S LOSSES: COST OF ILLICIT OUTFLOWS

Percentage of GDP that regions are losing in illicit financial flows



*MENA: Middle East and North Africa

Total illicit financial flows out of Africa

US\$50 BILLION

EVERY YEAR

This is equal to 5.7% of Africa's GDP and exceeds regional public spending on health

RESOURCE PLUNDER

Illegal logging

GLOBAL
US\$100
BILLION EVERY YEAR



AFRICA
US\$17
BILLION EVERY YEAR

IUU fishing (illegal, unreported and unregulated)

GLOBAL
US\$23
BILLION EVERY YEAR



WEST AFRICA
US\$1.3
BILLION EVERY YEAR

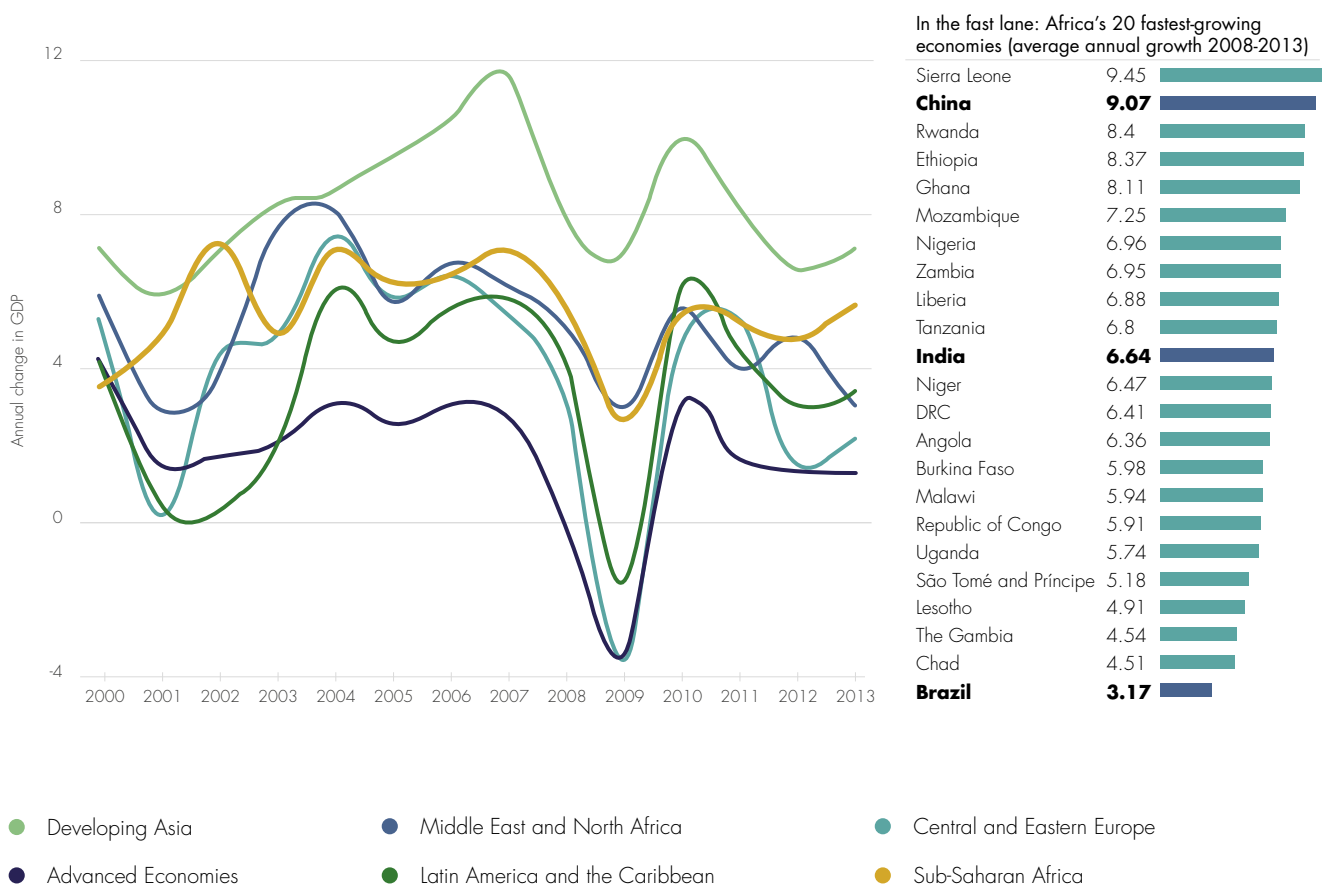
Sources:

Canby, K. and Oliver, R. (2013), Trade flows, illegality hot-spots and data monitoring.
GFI (2013), Illicit Financial Flows from Developing Countries: 2002-2011.

INTERPOL and UNEP (2012), Green Carbon, Black Trade: Illegal logging, tax fraud and laundering in the world's tropical forests.
High Level Panel on Illicit Financial Flows from Africa (2014).
OECD (2012), Illegal trade in environmentally sensitive goods.

Africa stands at a crossroads. Economic growth has taken root across much of the region. Exports are booming, foreign investment is on the rise and dependence on aid is declining. Governance reforms are transforming the political landscape. Democracy, transparency and accountability have given Africa's citizens a greater voice in decisions that affect their lives.

FIGURE 1 AFRICA'S DECADE OF GROWTH (CONSTANT PRICES, SELECTED REGIONS)



Source: IMF (2014), World Economic Outlook database.

These are encouraging developments. Yet the progress in reducing poverty, improving people's lives and putting in place the foundations for more inclusive and sustainable growth has been less impressive. Governments have failed to convert the wealth created by economic growth into the opportunities that all Africans can exploit to build a better future. The time has come to set a course towards more inclusive growth and fairer societies.

This year's *Africa Progress Report* addresses some of the central challenges facing Africa's governments. We share the view that there is much cause for optimism. Demography, globalization, new technologies and changes in the environment for business are combining to create opportunities for development that were absent before the economic recovery. However, optimism should not give way to the exuberance now on display in some quarters. Governments urgently need to make sure that economic growth doesn't just create wealth for some, but improves wellbeing for the majority. Above all, that means strengthening the focus on Africa's greatest and most productive assets, the region's farms and fisheries. This report calls for more effective protection, management and mobilization of the continent's vast ocean and forest resources. This protection is needed to support transformative growth.

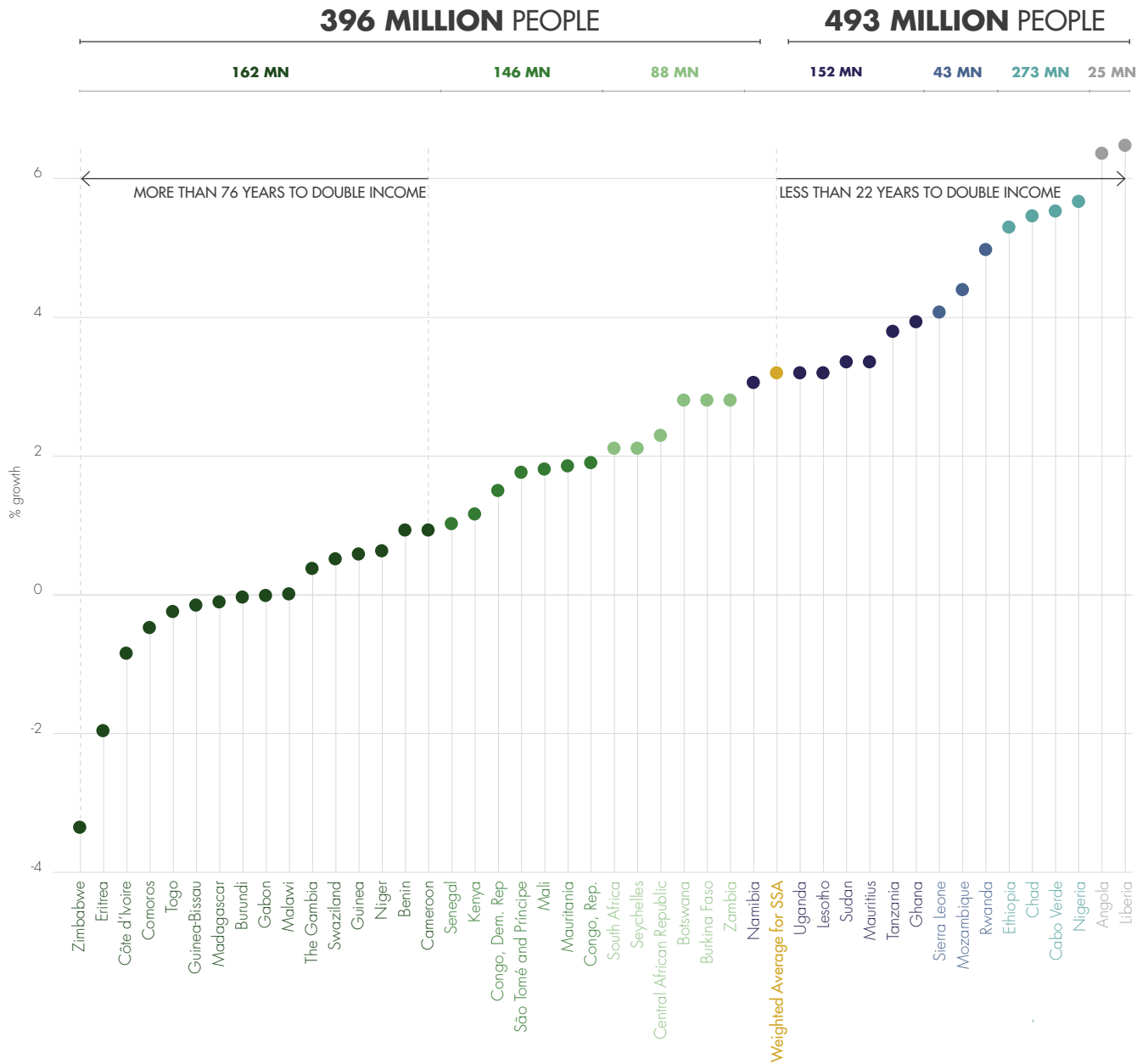
The achievements of the past decade and a half should not be understated. Economic growth has increased average incomes by around one-third. On the current growth trajectory, incomes will double over the next 22 years. Once synonymous with macroeconomic mismanagement and economic stagnation, Africa now hosts some of the world's fastest-growing economies. When it comes to growth, Ethiopia rivals China, and Zambia outpaces India. Contrary to a widespread misperception, there is more to the growth record than oil and minerals – and more than exports and foreign investment. African business groups have emerged as a powerful force for change in their own right, in areas such as banking, agro-processing, telecommunications and construction.

For the first time in a generation, poverty is falling – but it is falling far too slowly. The benefits of growth are trickling down to Africa's poor but at a desperately slow pace. Next year, African governments will join the wider international community in adopting post-2015 international development goals. One of those goals will be the eradication of poverty by 2030. On current trends, Africa will miss that goal by a wide margin.

Why is growth reducing poverty so slowly? Partly because Africa's poor are very poor: those below the poverty line of US\$1.25 a day live on an average of just 70 cents a day. And partly because high levels of initial inequality mean that it takes a lot of growth to reduce poverty even by a little. Raising the growth trajectory by 2 percentage points per capita and modest redistribution in favour of the poor would get Africa within touching distance of eradicating poverty by 2030.

Well-designed social protection programmes could play a vital role by protecting vulnerable people against the risks that come with droughts, illness and other shocks. By transferring cash, they can also raise income levels. Experience in other regions – especially Latin America – demonstrates that social protection can simultaneously help to reduce poverty and inequality, and boost growth in agriculture. Yet Africa underinvests in this vital area – and few governments have developed integrated programmes. By contrast, they spend around 3 per cent of GDP on energy subsidies, most of which go to the rich – three times the level of support provided for social protection. It is hard to imagine a more misplaced set of priorities.

FIGURE 2 AVERAGE INCOMES ARE RISING – BUT SOME ARE RISING FASTER THAN OTHERS: GDP PER CAPITA GROWTH (AVERAGE ANNUAL % 2000-2012)



Years to double income, on current trends

- 76-190
- 36-67
- 25-33
- 18-23
- 14-17
- 12-13
- 11
- Average: 22 years

Source: The World Bank Group (2014), World Development Indicators.

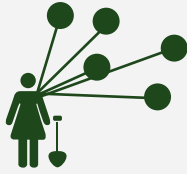
AFRICA'S APPLIED TECH INNOVATIONS: DEVELOPED BY AFRICANS, FOR AFRICA AND THE WORLD

Mobile technology can accelerate Africa's productivity in farming and fisheries. Innovation hubs are springing up all over Africa, incubating the next generation of technologists.



COMMUNITY SURVEILLANCE PROJECT

Helps fishing communities fight against illegal, unreported and unregulated fishing through the use of mobile phones and GPS-enabled cameras.



MLOUMA

Connects farmers to food purchasers by displaying real-time market prices and localizations.



TEXT TO CHANGE MAGRI

Provides best practice information on planting, harvesting, and pest and disease management to farmers.



ICOW APP

Uses mobile phones to encourage best practice for dairy farmers and increase milk production.



M-FARM

Connects farmers with each other in a virtual space. Helps farmers collectively buy inputs directly from manufacturers and sell produce to the market.



ESOKO

Enables farmers to collect and send out market data using simple text messages.



E-WALLET

Allows farmers to receive subsidised seeds and fertilizer vouchers on their mobile phones.



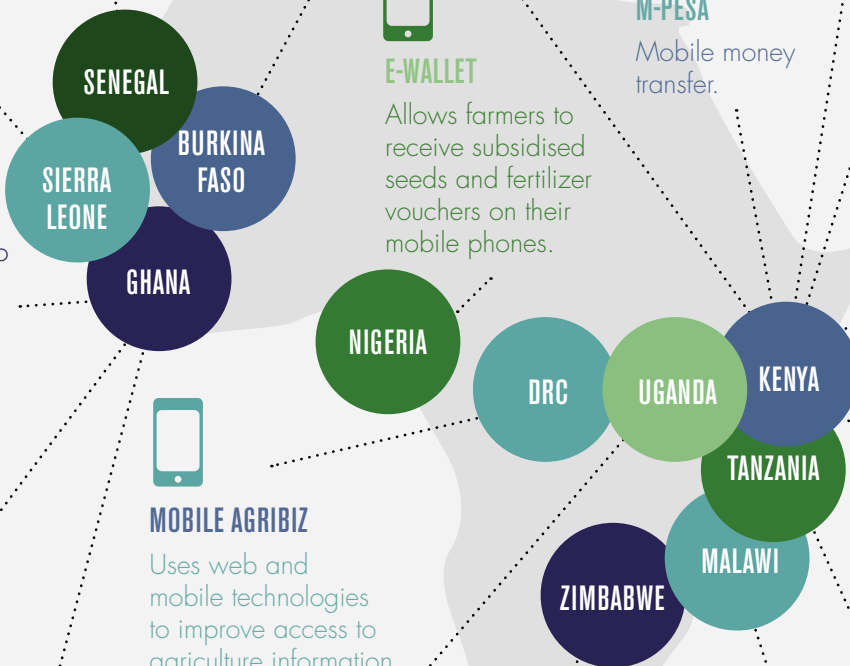
M-PESA

Mobile money transfer.



EFMIS-KE

Provides fisherfolk with greater access to market information.



COCOALINK

Connects cocoa farmers with information about good farming practices.



MOBILE AGRIBIZ

Uses web and mobile technologies to improve access to agriculture information and market accessibility for small farmers.



INTELLECT TECH

Helps farmers and insurance firms track compensation claims in real time.



FARMERLINE

Uses voice and SMS to collect data, share new farming techniques, and better link smallholder farmers to other actors along the agricultural value chain.



POULTRY GUIDE

Provides poultry farmers with information and market linkages to improve their productivity and profits.



E-VOUCHER

Helps cash-strapped small scale farmers access agricultural inputs.



FARMING INSTRUCTOR

Provides online and offline agricultural information to farmers and their communities.



M-MALAWI

Supports and advances the growth of mobile money in Malawi through a series of coordinated interventions.

If Africa is to develop a more dynamic and inclusive pattern of growth, there is no alternative to a strengthened focus on agriculture. Sub-Saharan Africa is a region of smallholder farmers. Some people mistakenly see that as a source of weakness and inefficiency. We see it as a strength and potential source of growth.

Africa's farmers have an unrivalled capacity for resilience and innovation. Operating with no fertilizer, pesticide or irrigation on fragile soils in rain-fed areas, usually with little more than a hoe, they have suffered from a combination of neglect and disastrously misplaced development strategies. Few constituencies can have received more bad advice from development partners and governments than African farmers. And few of the world's farmers are as poorly served by infrastructure, financial systems, scientific innovation or access to markets. The results are reflected in low levels of productivity: cereals yields are well under half the world average.

Agriculture remains the Achilles' heel of Africa's development success story. Low levels of productivity trap millions of farmers in poverty, act as a brake on growth, and weaken links between the farm and non-farm economy – links that were crucial to development breakthroughs in Bangladesh, India and Vietnam. Low productivity has another consequence that has received far too little attention. Africa's farmers could feed rapidly growing urban populations and generate exports to meet demand in global markets. However, the region is increasingly and, in our view, dangerously dependent on imports. African countries spent US\$35 billion on food imports (excluding fish) in 2011. The share accounted for by intra-African trade: less than 5 per cent. If Africa's farmers increased their productivity and substituted these imports with their own produce, this would provide a powerful impetus to reducing poverty, enhancing food and nutrition security, and supporting a more inclusive pattern of growth.

It is time for African governments and the wider international community to initiate a uniquely African green revolution. We emphasize the word unique. Copying South Asia's experience and retracing the steps of other regions is not a viable strategy. Agricultural conditions in Africa are different. Yet Africa desperately needs the scientific innovations in drought-resistant seeds, in higher-yielding varieties and in water use, fertilizer and pesticide that helped to transform agriculture in other regions. Returns on investments in these key areas will be diminished if deep-rooted policy failures are not tackled. These range from exorbitant transport costs for farm produce to underinvestment in storage and marketing infrastructure and barriers to intraregional trade.

African farmers also need help to cope with the effects of climate change, which is very likely to lead to above-average warming in Africa over the course of the 21st century, reducing the yields of major cereal crops. Yields of maize, a major regional food crop, are expected to fall by around 22 per cent. The fifth assessment report of the Intergovernmental Panel on Climate Change identifies Southern Africa, West Africa and the Sahel as regions facing acute known risks. However, no region will be unaffected. Even modest changes in the timing and intensity of rainfall, in the frequency and duration of droughts, and surface temperature can have profoundly damaging consequences for production, poverty and nutrition.

AFRICA'S FOOD EXCHANGE

Before 2000 Sub-Saharan Africa was a net exporter of food.
Now, the region has a food import bill of over

US\$35 BILLION

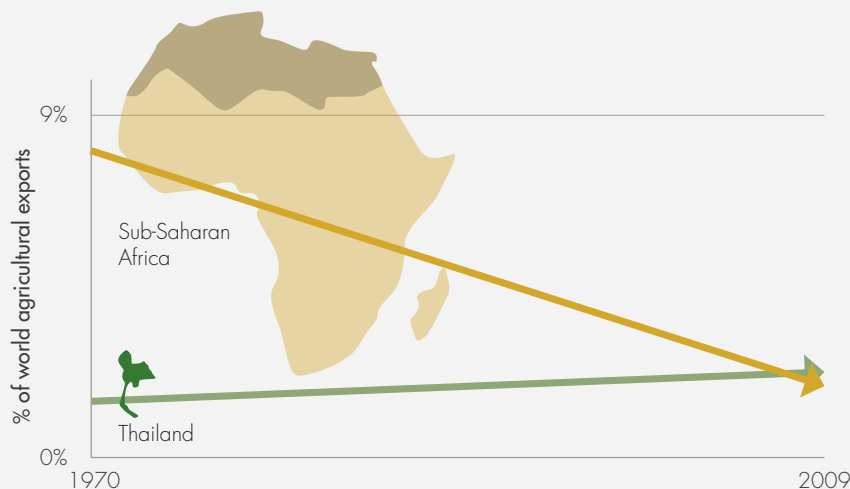
PER YEAR

AND IMPORTS EXCEED EXPORTS BY

30%

Volatile global food markets make Africa even more vulnerable.

WITH 13% OF WORLD POPULATION, SUB-SAHARAN AFRICA ACCOUNTS FOR LESS THAN 2% OF GLOBAL AGRICULTURAL EXPORTS. IT EXPORTS LESS THAN THAILAND



In 2012, support provided to OECD agriculture stood at **US\$258 billion** – contributing further to Africa's diminishing presence in global markets.

REVERSING THE TREND

Africa's productivity levels could easily double within

5 years

ONLY 3.5 MILLION HECTARES OF THE

240 million

hectares suitable for wetland rice cultivation have been exploited

Nigeria spends **US\$11 billion** on importing wheat, rice, sugar and fish

BUT > THE COUNTRY RECENTLY CUT ITS IMPORT BILL BY OVER

US\$5 billion

Sources:

Adesina, A. (2013), Transforming Nigeria's agriculture.
Africa Renewal (2014), Agriculture is Africa's Next Frontier.
Ernst & Young (2013), Getting down to business: Ernst & Young's Attractiveness Survey.
FAOSTAT quoted in The World Bank Group (2013), Growing Africa: Unlocking the potential of agribusiness.
FAO (2013), FAOSTAT.

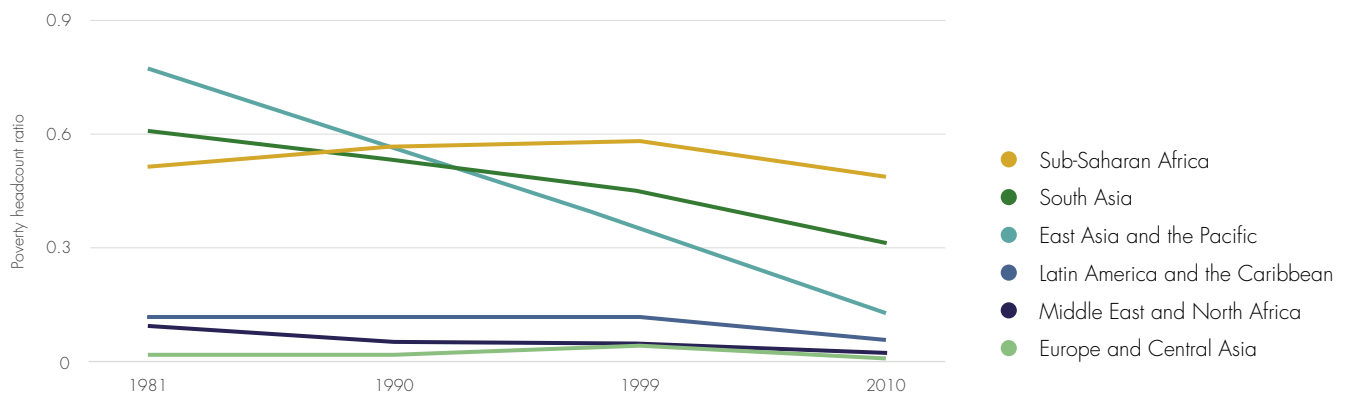
Note: Sub-Saharan Africa's import bill excludes fish.

All of which makes the international community's failure to provide adequate adaptation financing indefensible. Having promised much, rich countries have provided little new and additional climate adaptation financing. Commitments through climate funds are less than US\$700 million – and spending is even lower. This is unjust and short-sighted. It is unjust because Africa's farmers are being left to cope with a climate crisis they did not create. Adaptation spending in Africa is dwarfed by the multibillion-dollar investments being undertaken in rich countries. And underinvestment in adaptation is short-sighted because early investments could boost growth, enhance food security and reduce climate risks.

Harnessing Africa's resources for African development is another priority. In last year's report, *Equity in Extractives*, we highlighted the damaging consequences of tax evasion and loss of revenue through undervaluation of mineral resource assets. This year we turn our attention to renewable resources, focusing on fisheries and logging. There are some striking parallels with tax evasion. In each case, Africa is being integrated through trade into markets characterized by high levels of illegal and unregulated activity. In each case resources that should be used for investment in Africa are being plundered through the activities of local elites and foreign investors. And in each case African governments and the wider international community are failing to put in place the multilateral rules needed to combat what is a global collective action problem.

The social, economic and human consequences are devastating. On a conservative estimate, illegal and unregulated fishing costs West Africa alone US\$1.3 billion a year. The livelihoods of artisanal fishing people are being destroyed, Africa is losing a vital source of protein and nutrition, and opportunities to enter higher value-added areas of world trade are being lost. Unregistered industrial trawlers and ports at which illegal catches are unloaded are the economic equivalent of mining companies evading taxes and offshore tax havens. The underlying problems are widely recognized. Yet international action to solve those problems has relied on voluntary codes of conduct that are often widely ignored. The same is true of logging activity, with the forests of West and Central Africa established as hot-spots for the plunder of timber resources.

FIGURE 7 AFRICA'S POVERTY IS NOW FALLING – BUT MORE SLOWLY THAN IN OTHER REGIONS, %



Source: The World Bank Group (2014), PovcalNet

Placing Africa on a transformative pathway will require investing in inclusive growth. Infrastructure is one priority. No region has less-developed road networks and energy systems than Africa. Changing this picture will require significant up-front capital spending, prefaced by the development of bankable proposals and the emergence of new business models. The current financing gap has been estimated at around US\$48 billion. Much emphasis has been placed on the development of “new and innovative” financing to close that gap, including the use of aid to attract private investment. Unfortunately, the delivery of real finance has been less impressive than the hype surrounding the relentless proliferation of new initiatives. Part of the problem is a failure to invest sufficiently in building the capacity of African governments to develop infrastructure projects.

Africa’s financial systems are another constraint on growth. No region has a lower level of access to financial services. Only one in five Africans have any form of account at a formal financial institution, with the poor, rural dwellers and women facing the greatest disadvantage. Such financial exclusion undermines opportunities for reducing poverty and boosting growth that benefits all. Lacking access to insurance, Africa’s farmers have to put their meagre savings into contingency funds to deal with emergencies, rather than investing them in boosting productivity. Similarly, lacking access to loans and saving institutions, they are often unable to respond to market opportunities.

Other weaknesses in domestic financing have to be addressed as a matter of urgency. At one level, the regional financing environment has been transformed. Ten years ago, countries across Africa were still emerging from the Heavily Indebted Poor Countries initiative. Today, many of the same countries have entered sovereign bond markets. But Africa cannot meet its financing needs in infrastructure and skills development through aid and commercial market debt financing alone. That is why there is no substitute for domestic financing. Unfortunately, economic growth has done little to increase either the rate of savings or the proportion of GDP that is collected in domestic tax revenues – outcomes that point to the need for institutional reforms.

Recommendations

Africa's political leaders, entrepreneurs, farmers and civil society have an unparalleled opportunity to transform their countries. If that opportunity is seized, this could be the generation that will be lauded throughout history for eradicating poverty. In our report, we outline a broad-based agenda for change. At the heart of that agenda are five core principles, for each of which we identify the necessary practical action.

Share the wealth

Inclusive growth and expanded opportunity are essential to eradicate poverty.

African governments should set equity targets linked to the post-2015 development goals. These targets would focus on narrowing gaps in opportunity. For example, they could include halving over five years the disparities in school attendance, child survival and access to basic services linked to rural-urban divides, wealth gaps and gender divisions. Strengthening the commitment to inclusive growth demands an expansion of social protection, including cash transfers to the poor. Governments should be diverting some of the 3 per cent of regional GDP they now devote to energy subsidies into well-designed social protection programmes.

Invest in Africa's unique green revolution

African governments, the private sector and the global community must work together to invest in Africa's unique green revolution.

It is possible to double Africa's agricultural productivity within five years. As outlined by the African Union, African countries can end hunger and malnutrition and become major players in global food markets. It is also vital to unleash the potential of sustainable agriculture and aquaculture to provide food, jobs and export earnings. Some of the requirements for achieving a breakthrough in agriculture are financial. Now is the time for governments to act on their pledge to spend at least 10 per cent of budget resources on agriculture. But governments also have to create the right market conditions. An immediate priority is the promotion of import substitution to cut Africa's US\$35 billion food import bill. This will require measures to cut tariffs and non-tariff barriers to regional trade, eliminate transport cartels, and develop marketing infrastructure.

Take the profit out of plunder

Africa's resources should be sustainably managed for the benefit of Africa's peoples. National and regional action alone will not be enough. The international community must develop multilateral systems that prevent the plunder of Africa's resources.

Fisheries: The global community must act collectively to unleash a blue revolution for ocean management. To stop the plunder of African fishery resources, all governments should ratify and implement the 2009 Port State Measures Agreement to tackle illegal unreported and unregulated (IUU) fishing, and establish a global register of fishing vessels. African governments should increase fines on IUU vessels, support artisanal fishing, increase transparency, and provide full disclosure of the terms on which commercial fishing permits are issued.

Forests: All commercial logging concession contracts should be subject to full disclosure, along with the beneficial ownership structures of the companies involved. Concessions should be provided with the informed consent of the communities involved, based on a clear and accurate representation of potential costs and benefits.

Close the twin deficit in infrastructure and inclusive finance

African governments must close the twin deficit in infrastructure and inclusive finance.

The lack of infrastructure is a bottleneck on growth and opportunity. The same is true of finance. Regional cooperation on energy and transport is vital in order to achieve economies of scale in infrastructure projects. African governments can also support the development of mobile banking and e-commerce to overcome financial exclusion, building on successes such as M-PESA in Kenya. Development finance institutions should work with the private sector to foster more balanced perceptions of risk.

Make tax and finance more fair and transparent

Strengthened domestic resource mobilization holds the key to financing for inclusive growth, with African governments investing in efficient and equitable tax collection.

Governments should publish in a transparent manner all tax exemptions that are granted to corporate entities, both domestic and foreign. The estimated cost of the tax exemption should be made public, along with the reasons for the exemption and the principle beneficiaries.

The international community must step up efforts to combat tax evasion. Multinational corporations operating in Africa should fully disclose their financial operations and tax payments. Building on current initiatives, governments should accelerate the automatic exchange of tax information and build Africa's capacity to benefit from this information. All governments, including those of financially secretive jurisdictions, should establish public registries of beneficial ownership of companies and trusts. Multinational corporations can lead the way by publishing a full list of their subsidiaries, as well as information on global revenues, profits and taxes paid across different jurisdictions.

The international community should also deliver on its aid pledge – and go one step further by cutting the cost of remittances. The G8 should work with African governments to cut the cost of remittance transfers to a maximum of 5 per cent. That means curtailing restrictive business practices on the part of money transfer operators, strengthening competition, and creating incentives for the development of low-fee mobile remittance payments.

The Africa Progress Panel promotes Africa's development by tracking progress,
drawing attention to opportunities and
catalyzing action.

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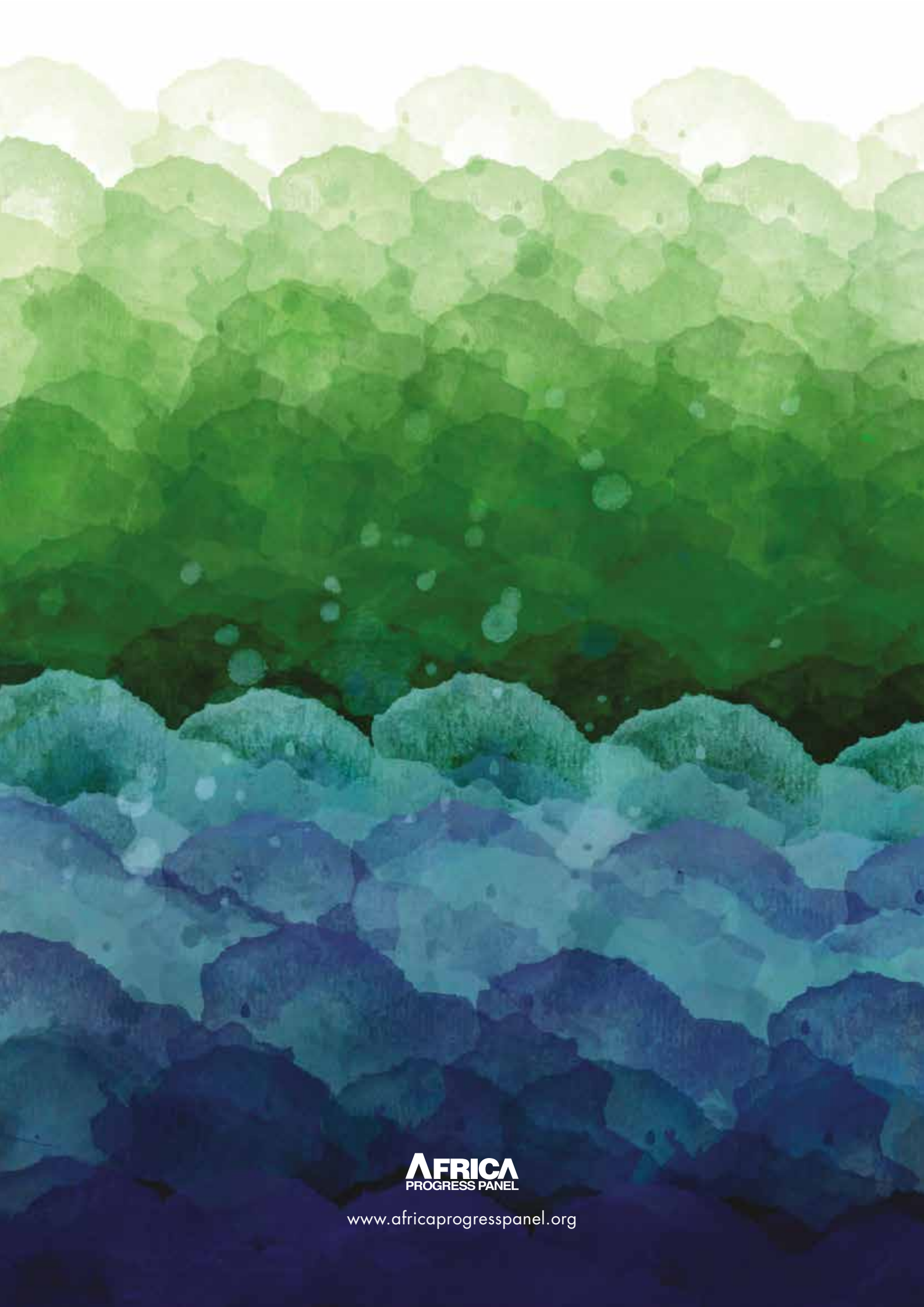
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