

Side Event Draft Concept Note

**Title: “THE MDG AFRICA STEERING GROUP AND THE GLENEAGLES  
SCENARIO APPROACH TO SCALING UP ODA”**

**Sponsor/ Co-Sponsor:** UNDP, AfDB, EC, IMF, World Bank, Oxfam and two Member States

**Date:** 22 September 2008

**Time:** 1:15-2:45pm

**Venue:** Conference Room 8

**Potential Moderator/Chair, Panelists/Resource persons:** A senior UNDP manager and the UN Special Advisor to the Secretary-General on the MDGs. Panel participants will include high-level country representatives, representatives of major multilaterals and representatives of civil society. The audience is expected to include government representatives, including delegations from capitals, UN staff and representatives of civil society and the private sector.

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## **The MDG Africa Steering Group and the Gleneagles Scenario Approach to Scaling Up ODA—Issues Paper**

*In 2005, the G8 committed at its Gleneagles Summit to more than double official development assistance (ODA) to Africa with an additional US\$25 billion per annum (in 2004 real terms) by 2010. At end-2007, OECD/DAC figures indicate that only about one-third of this has been programmed. This side event will review the MDG Africa Steering Group's recommendations for accelerated achievement of the MDGs in Africa and the Steering Group's work on Gleneagles Scenarios to help facilitate scaled-up ODA to Africa in support of the implementation of these recommendations. It will also consider bilateral initiatives to make ODA more predictable and effective.*

### **Context: Africa's 'development emergency' calls for scaled-up ODA**

**1. In 2000, UN Member States agreed under the Millennium Declaration (A/RES/55/2, 8 September 2000) that they would spare no effort to achieve by 2015 the eight Millennium Development Goals (MDGs; see Box 1).** The MDGs have become, along with other internationally agreed development goals (IADGs), the world's common set of development priorities. As such, these Goals are too important to be missed. The credibility of the international development system—and the commitments that have been made to support its work—hinges on their realization by 2015.

**2. At the 2008 midpoint between the adoption of the MDGs in 2000 and their target date of 2015, substantial advances have been made globally in achieving the Goals.** Emerging experience shows that when strong government leadership and good domestic policies are combined with adequate financial and technical support from the international community, private sector and NGOs, rapid progress on the Goals is possible. Significant inroads have been made in reducing the number of people who live on less than US\$1 a day, particularly through support for rural agricultural development. The elimination of school fees has helped contribute to sharply increased primary school enrollment in several countries. Additionally, two out of every three developing countries have achieved gender parity in primary education. Improvements in basic health services and the provision of vaccinations have together substantially reduced child mortality, as have targeted efforts to cut the incidence of measles, AIDS, tuberculosis, malaria, and polio.

**3. Despite these global gains, progress toward the MDGs remains off-track in many countries, particularly in large parts of Africa where some states are fragile and emerging from conflict.** On present trends, it appears that it may be difficult to achieve the MDGs across Africa as a whole by 2015, though several individual MDGs will be reached in a host of countries. Progress appears most severely off-track on MDG5, which calls for improvements in maternal health. Nevertheless, the MDGs remain achievable in Africa by 2015 with concerted action by African governments and their development partners.

**4. Mindful of the urgent need to accelerate progress on the MDGs in Africa, the Secretary-General of the United Nations, BAN Ki-moon, convened the MDG Africa Steering Group on 14 September 2007.** The creation of the Steering Group followed the Secretary-General's announcement, at the June 2007 G8 Summit in Heiligendamm, of his intention to establish a new mechanism to spur faster delivery of the MDGs in Africa. The launch of the Steering Group also responded to the July 2007 'MDG Call to Action', in which the Secretary-General joined Prime Minister Gordon Brown and 35 world leaders to mobilize every

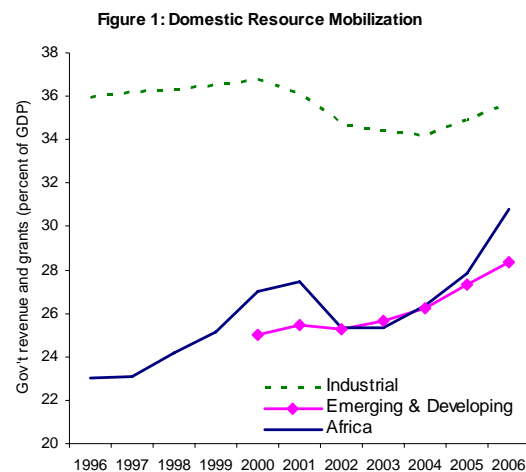
element of society under a collaborative action plan to scale up MDG successes and strategically address gaps in our current efforts.

**5. The MDG Africa Steering Group<sup>1</sup> brings together an unprecedented collection of eight major multilateral political and financial organizations behind a practical, costed and broadly endorsed plan to reach the MDGs by 2015 in Africa.** The Steering Group's landmark June 2008 recommendations, 'Achieving the Millennium Development Goals in Africa', were officially endorsed by the African Union (AU) and launched during the AU's 11th Summit in Sharm El-Sheikh on 1 July 2008. In these recommendations, the Steering Group establishes a definitive international understanding on the steps needed in agriculture and food security; education; health; infrastructure and trade facilitation; and national statistical systems to attain the MDGs across Africa; the financing needs for each intervention are also identified. The recommendations further call on Africa's development partners to enhance their collaboration in Africa and to deliver their assistance in a more predictable and effective fashion.

**6. The key challenge now is to ensure that the Steering Group's recommendations are implemented.** In January 2008 at the World Economic Forum, the Secretary-General and world leaders declared that the world faces a 'development emergency' and vowed to make 2008 a turning point in the fight against poverty. Implementation of the MDG Africa Steering Group's recommendations will be instrumental in achieving this aim.

**7. African countries have made heroic efforts to improve their macroeconomic performance, to mobilize domestic resources to finance their development needs, and to create fertile ground for the use of scaled-up**

**ODA.** In 2007, sub-Saharan Africa experienced one of its highest growth rates in decades as real GDP expanded by an average of about 6.6 percent. Inflation fell to historic lows around 7 percent, fiscal balances moved into surplus and reserves reached highs equivalent to 5.8 percent of imports. Additionally, annual private capital inflows have increased fourfold since 2000 to US\$50 billion. Improved fiscal balances have been underpinned by a rapid increase in domestic resource mobilization. Between 1996 and 2006, Africa as a whole increased government revenue and grants as a share of GDP by some 7.8 percentage points (Figure 1).<sup>2</sup> This



Source: WEO, IMF.

<sup>1</sup> The Steering Group is chaired by the UN Secretary-General and is composed of the heads of the African Union Commission, African Development Bank Group, European Commission, Islamic Development Bank Group, International Monetary Fund, OECD, and World Bank Group. The Steering Group is supported by the MDG Africa Working Group, which is chaired by United Nations Deputy Secretary-General, Dr. Asha-Rose Migiro, and includes representatives of the UN System and other major multilateral organizations.

<sup>2</sup> Under a range of disaggregations, African governments' fiscal efforts during this decade were impressive: sub-Saharan African countries saw government revenue and grants rise by 8.5 percentage points of GDP; if one excludes South Africa and Nigeria, the increase over 1996–2006 in sub-Saharan Africa drops only to about 7.5 percentage points; furthermore, if one excludes all oil-exporting countries, one still sees a 3.6 percentage point increase in sub-Saharan Africa during 1996–2006.

compares very favourably with all emerging and developing economies globally over the same period, where government revenue and grants increased by only about 3.3 percentage points of GDP. In industrialized countries, government revenue and grants actually *declined* by an average of 0.25 percent of GDP during 1996–2006. In short, African governments have made an historic attempt to create macroeconomic conditions conducive to poverty reduction and to finance their development needs out of domestic resources. This effort now needs to be matched with scaled-up external support.

**8. Nevertheless, the world remains seriously off-track in meeting its commitments to provide the promised ODA needed to achieve the MDGs.** The long-standing promise to raise ODA flows to 0.7 percent of developed-country gross national income (GNI) has been fulfilled by only a handful of countries.<sup>3</sup> Moreover, according to estimates by the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD/DAC), only about a third of the 2005 G8 Gleneagles commitment to more than double ODA in real terms to Africa (an annual increase of US\$25 billion in 2004 terms) has been programmed for delivery by 2010—despite the reaffirmation of this commitment at the 2008 G8 Hokkaido summit. ODA remains unpredictable from year to year, which seriously impedes the multi-year planning needed to build the health, education and social systems necessary to achieve the MDGs.

**9. As a result, external financing appears to be a key constraint on the achievement of the MDGs in Africa—a constraint that must be resolved.** At present, no Poverty Reduction Strategy Paper (PRSP) in Africa consistent with achievement of the MDGs is fully financed. In many cases, countries are now working to implement second generation PRSPs that reflect substantially enhanced participatory processes, clear national priorities and discrete programmes, projects, and policies designed to reduce poverty and reach the MDGs. Yet, external financing adequate to realize these national development strategies has not been delivered. Now is the time for action.

**10. The MDG Africa Steering Group has estimated that achievement of the MDGs in Africa will require US\$72 billion per year in external financing.** This is a significant amount, but it is inline with existing commitments and aid flows. If one combines the Gleneagles commitment for Africa, valued at a total US\$62 billion in 2007 terms, plus existing ODA flows from non-OECD/DAC donors and private foundations, Africa’s MDG external financing needs are covered. And for perspective, US\$72 billion looks affordable when compared with expenditures in other sectors. For perspective, the Stockholm International Peace Research Institute (SIPRI) estimates that the world spent US\$1.2 trillion on its militaries in 2006. OECD governments spent an estimated US\$267 billion on agricultural subsidies last year. Finally, Wall Street bonuses totaled more than US\$33 billion in 2007.

**11. The side event on the MDG Africa Steering Group and the Gleneagles Scenario Approach to Scaling Up ODA will review the recommendations of the MDG Africa Steering Group and consider its work on the Gleneagles Scenarios to help facilitate delivery of**

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<sup>3</sup> Developed countries committed in 1970 (UN General Assembly Resolution 2626 (XXV), para. 43, October 24, 1970) to increasing their resource flows to developing countries to levels equivalent to 1 percent of GNI by 1975, with the understanding that a minimum of 0.7 percent of GNI would be delivered as ODA. This commitment was reaffirmed in the Monterrey Consensus in 2002 and reiterated at the World Summit on Sustainable Development at Johannesburg later that same year. It was further endorsed by the 2005 Report of the Commission on Africa, “Our Common Interests”; the 2005 European Council; and the 2005 UN World Summit, where an additional call was made for countries to commit to calendars for the delivery of scaled-up ODA.

**scaled-up ODA for the MDGs.** The remainder of this paper explains the design of the Gleneagles Scenarios, anticipates key issues for discussion, and looks forward to possible outcomes from the side event. The side event will highlight the key recommendations of the MDG Africa Steering group, explain the Gleneagles Scenario approach to scaling up, and underscore that Africa is ready for the Gleneagles commitments to be delivered at the country level.

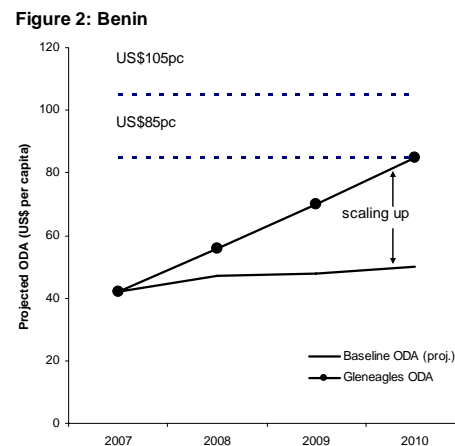
**Main issues: the ‘Gleneagles Scenario’ as a framework for scaling up ODA**

**12. The MDG Africa Steering Group has developed the ‘Gleneagles Scenario’ as a tool to demonstrate the feasibility at the country level of delivering on the Gleneagles commitments to scale-up ODA.** The 2005 G8 Gleneagles commitment to more than double real ODA to Africa provides an internationally-recognized ceiling for this exercise. Without negating the need for even more external financing in many countries to reach the MDGs, the Gleneagles scenario avoids the criticism leveled against some MDG needs assessments that their costs are unconstrained and unrealistic.

**13. The 2005 Gleneagles commitment to more than double annual ODA to Africa translates into flows in 2010 of about US\$85 per capita per year in 2004 terms, or about US\$105 per capita in nominal 2007 terms.** The 2005 Gleneagles G8 Summit committed to increase ODA to Africa by US\$25 billion in 2004 dollars by 2010 (to total some US\$62 billion at average 2007 prices and exchange rates), and global ODA by US\$50 billion in 2004 dollars over the same period.<sup>4</sup> These annual flows translate into US\$85 per capita in real terms or US\$105 per capita in 2007 nominal terms.<sup>5</sup> For the purposes of this exercise and to maintain the most conservative stance possible, the lower US\$85 per capita target is used in deference to the fact that paragraph 27 of the Gleneagles communiqué does not *explicitly* lay out the commitment to scale up ODA in real terms (though the commitment cannot be understood otherwise).

**14. The Gleneagles scenario consists of three major components:**

- **Review of a country’s medium-term expenditure framework (MTEF) to 2010** to identify the annual profile of current and anticipated spending in MDG-related sectors and the extent to which domestic and external financing covers these needs. Where detailed data are not available, AfDB, IMF, World Bank, and UN Country Teams have worked with Governments to prepare estimates and projections;
- **A possible profile for scaling up country-level ODA to Gleneagles levels by 2010**, accompanied by an alternative ‘Gleneagles’ MTEF, tied to specific projects and programmes, drawn from the existing PRSP or national development strategy, and linked to clear expectations about the likely results of additional spending. As an example, Benin’s baseline and Gleneagles MTEF envelopes are shown in Figure 2; and



<sup>4</sup> ‘G8 Gleneagles 2005 Communiqué—Africa’, G8 (2005).

<sup>5</sup> Per capita numbers are relevant here since they allow us to relate ODA flows to specific basic interventions needed across an entire populace to achieve the MDGs.

- *An IMF-endorsed macroeconomic analysis of the scaled-up MTEF* to ensure that the additional financing can be absorbed and spent in a manner consistent with macroeconomic stability, growth and poverty reduction. These analyses are in-line with the assessments of alternative scaling-up scenarios called for by the IMF Independent Evaluation Office and endorsed by the IMF Executive Board in 2007.<sup>6</sup>

**15. Members of the MDG Africa Steering Group are working with an initial set of ten countries in Africa to support their Governments in the preparation of**

**Gleneagles scenarios.** The initial set of case-study countries—Benin, Central African Republic, Ghana, Liberia, Niger, Rwanda, Sierra Leone, Tanzania, Togo, and Zambia—was vetted with the African Union Commission in January 2008 and agreed individually with each country. The UNDP launched support missions to each country through the spring and summer of 2008, where it worked collaboratively with Governments and local representatives of the AfDB, IMF, and World Bank.

Table 1: Indicative nominal ODA per capita, 2006 USD

Benin	45
CAR	33
Ghana	53
Liberia	72
Niger	29
Rwanda	65
Sierra Leone	66
Tanzania	48
Togo	13
Zambia	81

Sources: OECD/DAC; Global Monitoring Report.

**16. At present, per capita ODA to most African countries is substantially below the Gleneagles target levels (Table 1).** Amongst the set of 10 case study countries, per capita ODA tends to be highest in post-conflict countries. Nevertheless, ODA flows at the country-level are not yet consistent with the Gleneagles commitment in any of the ten cases. It should be noted that US\$85 per capita (real terms)/US\$105 per capita (nominal terms) are illustrative targets related only to the Gleneagles commitments. Needs can and do vary widely across African countries. Much more external support will be needed in many places to achieve the MDGs.

**17. No changes will be made to baseline country programmes until scaled-up resources actually become available.** Existing country programmes in Gleneagles scenario countries remain unchanged at present. Similarly, in countries that have recently completed their PRSPs (or equivalent), no changes will be made to these policy documents until increased resources arrive. The scaling-up scenarios prepared under this initiative will outline how resources beyond the envelope currently available to implement the PRSP can be used in support of the MDGs by (a) completing the financing of the PRSP; and (b) financing additional projects and programs.

**18. The ‘Gleneagles scenarios’ are a simple, open-source framework that can be extended to more countries and a variety of applications.** The Gleneagles scenarios could be used by the Governments and the MDG Africa Steering/Working Groups to (a) demonstrate that programs and projects have been identified for the use of scaled-up ODA; (b) provide a coherent framework for the delivery of more predictable and effective ODA; and (c) show that additional ODA can, with the right policy coordination, be absorbed and spent in a coherent fashion. It is clear that not every country in sub-Saharan Africa has the same capacity to absorb additional aid in the next three to five years; however, this exercise will support high-level advocacy to ensure aid commitments are met, and that aid is delivered to areas where it can be used effectively. And ultimately, any scaled-up ODA should eventually create the foundations for an exit from aid.

<sup>6</sup> ‘The IMF and Aid to Sub-Saharan Africa’, IMF Independent Evaluation Office (2007); ‘Aid Inflows—The Role of the Fund and Operational Issues for Program Design’, IMF (2007); and ‘Fiscal Policy Response to Scaled-Up Aid’, IMF (2007).

### **Possible issues for discussion**

- How can the Gleneagles Scenario be extended to more countries?
- What are the remaining impediments to the realization of the Gleneagles commitments and what immediate action can be taken to resolve them?
- How does the Gleneagles Scenario work dovetail with and support bilateral initiatives to increase aid predictability, such as the EC's 'MDG Contracts' and the UK's recent efforts to provide forward-looking ODA delivery calendars?
- What further action can international development partners do to enhance their collaboration and better support country-led initiatives to achieve the MDGs in Africa?

### **Expected results**

- Greater awareness of the MDG Africa Steering Group recommendations and the catalytic interventions proposed to achieve the MDGs in Africa.
- A shared understanding of the current state of development financing in Africa and the need for rapid action on several fronts to fulfill outstanding ODA commitments.
- Wider understanding of the Gleneagles Scenario approach as a means for facilitating the planning, delivery and use of more predictable and effective development assistance.
- The event will also highlight the Gleneagles Scenario's usefulness as an advocacy tool in donor roundtables, consultative group meetings, and other fora to facilitate scaled-up development assistance.
- The event will help build a substantive bridge between the Accra HLF on Aid Effectiveness and the Doha Financing for Development Conference by providing a link between aid effectiveness, aid volume and Africa's development needs.

### **Box 1: The Millennium Development Goals and Targets**

#### **MDG1: Eradicate extreme poverty and hunger**

**Target 1.A:** Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day.

**Target 1.B:** Achieve full and productive employment and decent work for all, including women and young people.

**Target 1.C:** Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

#### **MDG2: Achieve universal primary education**

**Target 2.A:** Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

#### **MDG3: Promote gender equality and empower women**

**Target 3.A:** Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015.

#### **MDG4: Reduce child mortality**

**Target 4.A:** Reduce by two thirds, between 1990 and 2015, the under-five mortality rate.

#### **MDG5: Improve maternal health**

**Target 5.A:** Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio.

**Target 5.B:** Achieve, by 2015, universal access to reproductive health.

#### **MDG6: Combat HIV/AIDS, malaria and other diseases**

**Target 6.A:** Halt and begin to reverse, by 2015, the spread of HIV/AIDS.

**Target 6.B:** Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it.

**Target 6.C:** Halt and begin to reverse, by 2015, the incidence of malaria and other major diseases.

#### **MDG7: Ensure environmental sustainability**

**Target 7.A:** Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.

**Target 7.B:** Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss.

**Target 7.C:** Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation.

**Target 7.D:** Achieve, by 2020, a significant improvement in the lives of at least 100 million slum dwellers.

#### **MDG8: Develop a global partnership for development**

**Target 8.A:** Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Includes a commitment to good governance, development and poverty reduction—both nationally and internationally.

**Target 8.B:** Address the special needs of the least developed countries. This includes: tariff- and quota-free access for the least developed countries' exports; enhanced programme of debt relief for heavily indebted poor countries (HIPC) and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction.

**Target 8.C:** Address the special needs of landlocked developing countries and small island developing States (through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty-second special session of the General Assembly).

**Target 8.D:** Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term.

**Target 8.E:** In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries.

**Target 8.F:** In cooperation with the private sector, make available the benefits of new technologies, especially information and communications technologies.