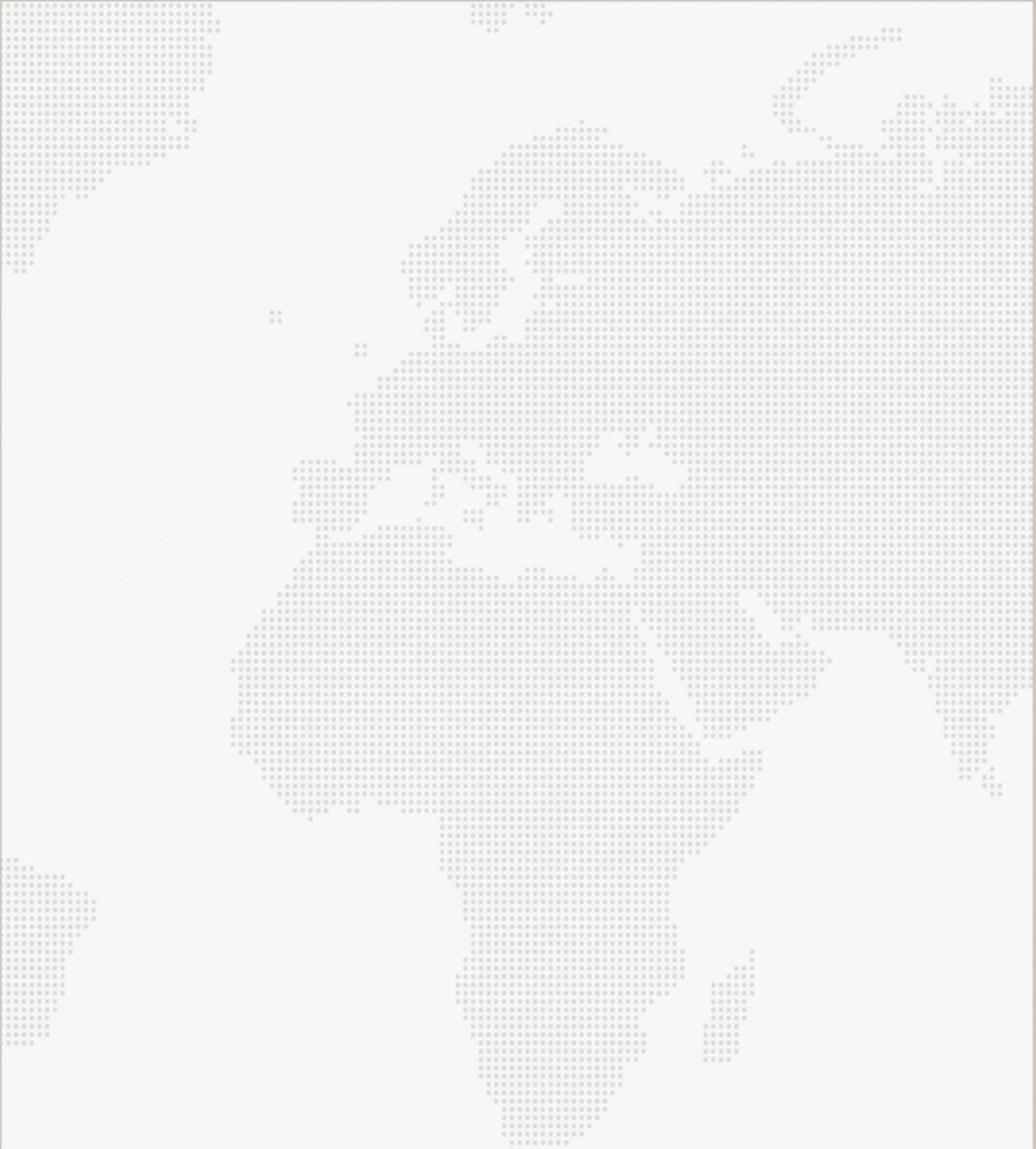


MINDSET SHIFTS FOR OWNERSHIP OF OUR CONTINENT'S DEVELOPMENT AGENDA



Sciences for Prosperity



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ACRONYMS

AAA	Accra Agenda for Action
ASA	African Science Academies
AEO	African Economic Outlook
AfDB	African Development Bank
AGF	African Guarantee Fund
AGI	Association of Ghana Industries
ALSF	African Legal Support Facility
APP	African Progress Panel
APRM	African Peer Review Mechanism
AU	African Union
AVMA	American Veterinary Medical Association
BVI	British Virgin Islands
CSO	civil society organization
DD	Demographic Dividend
DFI	Development Finance Institution
DRC	Democratic Republic of the Congo
ECA	Economic Commission for Africa
EIA	Energy Information Administration
EITI	Extractive Industries Transparency Initiative
ECEFA	European Commission for Economic and Financial Affairs
FAO	Food and Agriculture Organization
FDI	foreign direct investment
FEM	foreign exchange market
GDP	gross domestic product
GEM	Global Entrepreneurship Monitor
GER	gross enrolment ratio
GPI	gender parity index
HDI	Human Development Index
ICB	Isoko Community Bank
ICT	information and communication technology
IDS	Institute of Development Studies
IMF	International Monetary Fund
ISI	import substitution industrialization
MDG	Millennium Development Goal
MAD	Minerals and Africa's Development
MIF	Mo Ibrahim Foundation

NEPAD	New Partnership for Africa's Development
NNPC	Nigerian National Petroleum Corporation
NSAP	National Social Action Program
OECD	Organisation for Economic Co-operation and Development
OHITF	One Health Initiative Task Force
PBF	performance-based funding
PEPFAR	President's Emergency Plan for AIDS Relief
RGI	Resource Governance Index
SAP	structural adjustment program
SDG	Sustainable Development Goal
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNAS	Ugandan National Academy of Sciences
UNESCO	United Nations Educational, Scientific, and Cultural Organization
USAID	United States Agency for International Development
USGS	United States Geological Survey
VAT	value-added tax
WEF	World Economic Forum
WHO	World Health Organization
WHA	World Health Assembly
WRI	World Resources Institute

TABLE OF CONTENTS

	EXECUTIVE SUMMARY	1
1	INTRODUCTION	6
2	BACKGROUND	7
	2.1 Poverty	7
	2.2 Economic Development	8
	2.3 Country Ownership	11
	2.4 Agenda 2063	11
3	PROBLEM STATEMENT	13
4	HIGH-LEVEL RESPONSE	15
	4.1 Sustainable Development Goals	15
	4.2 Structural Transformation	16
	4.3 Agricultural Investment	16
	4.4 Economic Diversification	18
	4.5 Population Growth	18
	4.6 Urbanization	20
5	PRIMARY LEVERS OF DEVELOPMENT	21
	5.1 Communities	21
	5.2 Education	25
	5.3 Health.....	29
	5.4 Capital	34
	5.4.1 Governance Capital.....	34
	5.4.2 Resource Capital	37
	5.4.3 Technology Capital	42
	5.4.4 Financial Capital	44
	5.5 Institutions	48
	5.5.1 Public Institutions	48
	5.5.2 Private Institutions	52
6	MANAGING STRATEGIC RISKS	57
7	OVERARCHING CONCLUSION	59
8	OVERARCHING RECOMMENDATION	60
9	REFERENCES	61

LIST OF BOXES

Box 1 Botswana's House of Chiefs	23
Box 2 OneHealth	33
Box 3 Botswana's Diamond Industry	40
Box 4 The Kolwezi Copper Project	49

LIST OF FIGURES

Figure 1	The relationship between GDP per capita ranking and Human Development Index (HDI) ranking. To the right are shown country changes in HDI ranking between 2006 and 2011	10
Figure 2	Agriculture as a percentage of GDP (2010 or last available data)	17
Figure 3	African population (in millions) by age group, 2010 and 2030	19
Figure 4	Resource governance assessments in resource-rich countries	38
Figure 5	Mineral, metal, and oil price trends, 1980-2013	39
Figure 6	African exports by broad category, 2000-2010, in current millions of US dollars	43
Figure 7	Sources of development finance in Africa	45
Figure 8	Africa loses more money to illicit outflows than it gains from aid and foreign direct investment	46
Figure 9	Multinational corporation annual revenue versus national GDP data	51
Figure 10	Most problematic limitations on doing business in sub-Saharan Africa (percent of respondents)	53

DEFINITIONS

Communities: The traditional support structures that make individuals resilient. Communities are often formed through family or clan associations. Professional guilds, sodalities, age-grade associations, and religious societies also form communities. Communities are the roots of an African identity.

Country ownership: Leadership and participation, at all levels and in every sector of society, toward achieving a unified goal, where individuals have a stake in and a shared responsibility for delivering the common development agenda.

Development agenda: A vision of shared economic prosperity, environmental health, and social well-being. The agenda is achieved through an enabling framework that empowers and builds the capacity of individuals, communities, and institutions.

Financial capital: The material output of a development mentality. Leveraging human capacity, intellectual confidence, and knowledge generates financial capital.

Governance capital: The effective management of power relationships among government, business, and civil society. Governance capital focuses on the creation of an enabling environment for institutions to function efficiently and transparently.

Institutions: Systems and processes that operate based on specific, articulated values and rules. These values and rules define the responsibilities of the institution and result in recognizable behaviours.

Poverty: A deficiency in intellectual confidence that obstructs access to material resources and opportunities, and prevents individuals and communities from achieving their dreams and aspirations.

Primary levers of development: Crucial areas for investment or policy change from governments, institutions, communities, and individuals to stimulate an ownership agenda.

Resource capital: The wealth of Africa's natural resources, including soils, oceans, and minerals, that can be sustainably harnessed to support a development agenda.

Technology capital: The availability and application of productivity-increasing processes, machinery, and human capacities, specifically in the realm of manufacturing and industrialization.



EXECUTIVE SUMMARY

For ease of data collection and comparison, development literature often focuses exclusively on financial measures of poverty. However, the history of communities that have successfully lifted themselves out of poverty demonstrates that the process is first and foremost an intellectual transformation. An African-owned development agenda seeks to undermine this intellectual root of poverty by stimulating broad-based economic growth, community engagement, and transparent governance and giving all citizens a financial stake in the future of their country.

Historically, Africans have rarely led the development process; governments adopted foreign-designed import substitution industrialization (ISI) policies in the 1960s, and were forced into structured adjustment programs (SAPs) in the 1970s and 1980s. Since then, the concept of country ownership has developed from a strategy of aid delivery to the backbone of a successful development agenda. The African Union's Agenda 2063 provides an opportunity to define a specifically African-focused concept of country ownership that emphasizes the necessary mentality shift at every level of society. Despite the importance of ownership, the international consensus reached with the Millennium Development Goals (MDGs) does not align with the priority of an agriculture-driven structural transformation that African leaders agreed to in the Maputo Declaration of 2003. Therefore, African country ownership of the post-2015 development agenda is essential to undermine the intellectual roots of poverty.

While the Open Working Group of the General Assembly on Sustainable Development Goals develops its vision of the post-2015 agenda, an African consensus focused on poverty eradication through structural transformation has emerged. Structural transformation is the reallocation of economic activity from the least productive to more productive sectors of society, in the process raising incomes, growing capacity, and increasing productivity in every economic sector. Agricultural investment is identified as an essential first step in structural transformation—up to 80 percent of many countries' populations work in agriculture. Growth in the agriculture sector is twice as effective at reducing poverty as growth in other sectors. The ultimate goal of structural transformation is economic diversification, creating resiliency as investment, capacity, and incomes rise in the manufacturing and commercial, as well as agricultural, sectors. Population growth rates across the continent provide the opportunity for a demographic dividend that will advance structural transformation, but only if fertility rates are curbed through investment in the education and health of women and girls. Urbanization without industrialization or economic growth continues to constrain the ability of Africans to transcend poverty through intellectual confidence.

To overcome challenges and increase country ownership of the post-2015 development agenda, the Committee on Ensuring Country Ownership of Africa's Development Agenda in the Post-2015 Era identified five levers of development: (1) the role of traditional communities, capacity-building strategies focused on (2) education and (3) health, (4) capital broadly defined, and (5) the culture and policies of institutions. Focusing policy, investment, and engagement on these levers will allow African countries to stimulate broader societal ownership of the post-2015 development agenda.

Communities are at the core of owning African development, as they are both the drivers and beneficiaries of the development agenda. National-level structures currently are not providing the resilience that traditional community structures have provided. Neglecting cultural and traditional practices undermines ownership and decreases the legitimacy of governments in representing their citizens. Traditional institutions provide a link to Africa's past and identity, without which ownership is incomplete.

Based on these conclusions, the committee recommends:

- African leaders should involve communities in the planning, implementation, monitoring, and assessment of the development agenda.
- African leaders should acknowledge the value of traditionally resilient communities, and integrate cultural practices and understanding into the development framework.
- Communities should self-assess, self-motivate, and self-start development initiatives using the resources currently available to them.

Education is a key tool for increasing individuals' capacities and freedom to leverage development. The wealth of African countries extends beyond their natural resources; citizens represent one of the continent's greatest untapped resources. However, African education systems currently underprepare students to participate effectively in shifting economies. The mismatch between demanded and supplied skills weakens national economies, contributes to unemployment, and undermines full societal participation in the pursuit of development goals. Initiatives designed to support African women in particular are chronically underfunded across the continent. New digital infrastructure also is required to harness the potential of new education technologies. Basic and affordable access to the Internet, reliable electricity, and efficient transportation networks are just as essential for the success of African students as they are for the success of African businesses.

Based on these conclusions, the committee recommends:

- African governments should invest substantially more in the skills and knowledge of their people, which are adapted to the challenges of the Sustainable Development Goals (SDGs) and Agenda 2063.
- Governments, businesses, and academic institutions should conduct needs assessments to determine the capacities, skills, and knowledge that are key to achieving the goals of the development agenda.
- African leaders and academics should base curricular reform, incentives, and educational investment on a comprehensive needs assessment in each country.
- Private-sector employers should transition from a hiring process focused on academic qualifications to a results- and objectives-driven hiring mentality.
- African students should receive assistance in undertaking learning that will provide valuable capacity for economic structural transformation.
- Governments should clearly articulate the roles and responsibilities of different ministries, public institutions, and private institutions in the education realm.
- Governments should radically improve their role as accreditation and regulatory bodies to ensure that the technical education offered by many private institutions has the necessary quality and focus to contribute to the achievement of a development agenda.
- Governments should invest in infrastructure that creates an enabling environment; reliable water supplies, electricity supplies, and transportation systems should become a priority.
- Governments should invest in marginalized groups, such as women working in agriculture, to tap previously ignored capacities.
- Governments and public education institutions should ensure basic digital and computer literacy in the population.

Despite significant international and domestic attention, efforts to improve human, economic, and environmental health in Africa have progressed very slowly. The insufficient number of trained health personnel is a key factor contributing to the lack of universal health care coverage. Often, health initiatives are not coordinated among different agencies and government branches. Future challenges include growing populations and the convergence of human, animal, and environmental health.

Based on these conclusions, the committee recommends:

- Governments should invest more in the basic physical infrastructure of health, including clinics and water treatment facilities.
- Governments should redirect more domestic resources toward policies of universal health insurance.
- Natural resource revenues should be considered as a way to provide significant financing for these policies.
- Governments should invest more in the training, education, and capacities of people working in the health care sector.
- Regional and international bodies, including the African Union, should examine the feasibility of an integrated, interdisciplinary, and collaborative health care framework such as OneHealth.

Governance capital is built on the golden triangle of power relationships among state institutions, civil society, and businesses. To implement effective and sustainable development policies, governance systems must be simple, and their functioning must be clear to society. Inclusive, participatory political systems increase ownership by expanding the range of stakeholders who are able to contribute meaningfully to the development process. Transparency and accountability are crucial so that citizens can accurately evaluate and respond to the actions of their government. Corruption undermines the legitimacy of government, particularly to traditionally marginalized groups. Tackling corrupt practices increases economic productivity directly, and creates a more future-oriented investment environment.

Based on these conclusions, the committee recommends:

- Government, civil society, and the private sector should collaborate to create a transparent and honest enabling environment for development.
- Governments should legislate transparency, enforce laws and rules more stringently, increase the ease of doing business in their country, and invest in physical infrastructure.
- African leaders should promote stakeholder dialogues to determine the specific extent and thrust of policies mentioned in the preceding recommendation.
- African governments should implement outreach and consultation programs with traditionally marginalized groups.

Renewed focus on Africa's natural resources is driven partly by a global boom in resource prices, and partly by unprecedented government and institutional capacity on the continent. African countries currently capture only a fraction of the total value of their resources. Structural adjustment requires that African firms expand into forward and backward mineral supply chains. Transparent, accountable management of natural resources, accompanied by clear community rights, is the foundation of effective governance. The long-term impacts of extractive activities on people and the environment often have been neglected. Policy frameworks in many countries treat economic development, human health, and environmental degradation in isolation. In reality, these factors are intertwined, and policy approaches to extractive industries require full accounting of costs and benefits.

Based on these conclusions, the committee recommends:

- African governments should immediately undertake an assessment of the full range of natural resources available in their countries.
- African governments, academic institutions, and the private sector should invest in education and training programs to increase resource value capture.

- In policy dialogues, African governments should emphasize the trade-offs inherent in resource development.
- Civil society and governments should develop full costing mechanisms for resource extraction projects—including economic, health, and environmental effects.

Despite recent growth in African manufacturing sectors, the current state of infrastructure in most African countries is insufficient to capitalize on development potential. Trade partnerships between African countries and other developing nations are essential to supply affordable products to African citizens and increase the productivity of African firms. Access to domestic resources and expertise is a determining factor in the global competitiveness of African firms. Africa is at a crossroads where sufficient infrastructure can determine the pace of development on the continent.

Based on these conclusions, the committee recommends:

- Institutions should partner to ensure the availability of capital goods and technology transfers that enhance productivity and efficiency.
- National, regional, and local governments should invest in transportation infrastructure, including rail and highways.

Governments, institutions, communities, and people all rely on a steady and sustainable financial stream to implement projects and expand capacities. Financing mechanisms to support each of these actors are essential to achieving development goals. Ultimately, finance represents the intellectual capital of a country and a society’s ability to leverage knowledge in the pursuit of development goals. To date, African governments have not adequately marshaled monetary capital for domestic investment and broadened the local tax base. The mobilization of domestic resources through a fair system of taxation—of both citizens and corporations—defines a sustainable financial system. By definition, a citizenry engaged through taxation has a stake in development, and is more likely to hold its leaders and governments accountable. Keeping financial flows within the continent demonstrates a confidence in the common vision of Africa as a strong and prosperous collection of nations.

Based on these conclusions, the committee recommends:

- African governments should base financing mechanisms for supporting governance, institutions, people, and communities on domestic resources.
- African governments should simplify and universalize tax codes so they apply equitably across society.
- Financial institutions should promote diverse vehicles for domestic saving, such as private and public pensions, mutual funds, and other financial instruments, to increase the number of citizens and businesses with a direct financial stake in national development.
- Governments should design fiscal policy to support entrepreneurs, such as through partial guarantees on long-term productivity investments.
- Governments should carefully leverage revenue from natural resource extraction to generate broad-based economic growth.
- African leaders should advocate on the world stage for measures addressing illegal capital flight.

A key aspect of effective institutions is metrics of self-assessment to enable learning from mistakes and successes. Successful institutions are measured by their ability to create an enabling environment for the capture of governance, technology, and monetary and resource capital. A sense of trust among the state, the private sector, and citizens is a necessary precondition for

investment risks that must be taken in pursuit of an owned development agenda. African public institutions today do not have optimal systems in place for evaluation and for continuous and incremental learning from ongoing African initiatives. The result is an environment of distrust in which short-term return on investment is maximized at the expense of a long-term and inclusive vision of development.

Based on these conclusions, the committee recommends:

- Institutions should define their primary role as the builders of trust among different stakeholders in society.
- Institutions should attract capital and enable collaboration among different levels of society to achieve development goals.
- African governments should invest in systems whereby institutions are able to evaluate, reflect on, and incrementally learn from their past experiences.
- African governments should invest heavily in the skills, training, and knowledge of public-sector employees to increase institutional effectiveness.

Private-sector institutions, particularly in the form of small and medium-sized enterprises, are now crucial to advancing sustainable development objectives. However, many African small and medium-sized enterprises are constrained by a lack of access to capital, or low capacity. Innovative associations and partnerships to overcome these constraints exist; however, they are currently underutilized. The primary route to stable institutions, both public and private, is increased capacity, realized through transparency, accountability, and equitable access to resources.

Based on these conclusions, the committee recommends:

- African governments should invest in private-sector institutions through arms-length interventions that increase the availability of credit and infrastructure for small and medium-sized enterprises.
- Governments should strive for the equitable and effective application of tax revenue, in the form of services and infrastructure, to engender the necessary sense of trust between the private sector and government.
- African small and medium-sized enterprise owners should seek out opportunities for capital access and capacity-building partnerships.

Africa's natural and human resources hold the potential for the continent's own development. The mindset shift necessary to realize this potential must occur at every level of society—from unemployed youth, to women working in agriculture, to informal miners, to country leaders. While the purpose of this report is to highlight the development capital available to all African citizens, the continent's leaders are in a unique position to cultivate an enabling environment. Implementation of the recommendations of this report will allow leaders in the public sector, government, and communities to create the context from which ordinary citizens can capture the potential of their development capital.



INTRODUCTION

In preparation for the Tenth Annual Meeting of the African Science Academies (AMASA-10) in November 2014, the African Science Academies convened a consensus study committee—the Committee on Ensuring Country Ownership of Africa’s Development Agenda in the Post-2015 Era—to undertake a comprehensive literature review and analysis of issues pertaining to country ownership of the post-2015 development agenda. The committee was tasked to review this evidence with the goal of feeding it into Africa’s Agenda 2063 and the global post-2015 agenda. The committee was selected on the basis of recommendations from the International Organizing Committee of AMASA-10, and committee members were screened for biases and conflicts of interest following strict and rigorous academy protocols.

This committee of experts analyzed the evidence on development initiatives regarding the Millennium Development Goals (MDGs). The committee examined many success stories, lessons learned, and remaining challenges to develop a comprehensive vision for Africa’s post-2015 future within the framework of Agenda 2063. Key issues addressed by the committee were the specific actors responsible for implementing Agenda 2063 and a range of approaches for increasing African countries’ ownership of this development agenda. The committee’s conclusions and recommendations, arrived at through analysis of the available evidence, are intended to provide strategic direction for African countries seeking to increase their ownership of the post-2015 development agenda.



2.1 Poverty

The rhetoric of development often focuses exclusively on financial measures of poverty. For example, MDG 1 defines people living in extreme poverty as those whose income is the equivalent of less than US \$1.25 per day (UN, n.d.-a). Since the global goal of halving extreme poverty from 1990 levels was achieved in 2010, the cut-off line has been increased to US \$2 per day (Sumner, 2012).

There are good reasons to focus on an absolute financial measure of poverty. A poverty line facilitates data collection, and its quantitative nature allows for easy comparison among countries and regions (Sumner, 2012). However, a universal poverty line ignores broader quality-of-life concerns, as well as the fact that poverty is inherently relative to the society under scrutiny (UNESCO, n.d.; The Poverty Line, n.d.). Furthermore, sole focus on material definitions obscures the more important underlying factors of poverty: lack of intellectual confidence and a mentality of apathy. This mentality of poverty compounds and exacerbates more visible aspects of poverty, such as lack of access to basic services and education, discrimination, and limited opportunities (Bartle, 2013; Sen, 1983). The history of communities and populations that have successfully lifted themselves out of poverty demonstrates that the process is first and foremost an intellectual transformation (MPI, 2004; Oucho, 2008; Shikwati, n.d.). Clearly, technology, infrastructure, and finance play essential roles in this transformation—but it is people and their capabilities that must leverage these material assets (Sen, 1983). Poverty manifests in a psychological dimension, and persists where the intellectual confidence to take initiative and seize development opportunities is lacking (Owusu-Kodua, 2013). A mentality that waits for development to occur perpetuates poverty, while a mentality that seeks out opportunities and catalyzes development generates wealth (Shikwati, n.d.). Therefore, in this report poverty is most aptly defined as a deficiency in intellectual confidence that obstructs access to material resources and opportunities, and prevents individuals and communities from achieving their dreams and aspirations. The root of poverty, therefore, must be combated with a development agenda grounded in intellectual confidence—in short, ownership.

The ultimate goal of a development agenda is to eradicate poverty and empower citizens to seize opportunities for prosperity and increase their freedom (Sen, 1999). Since the 1960s, however, regardless of design, Africans have not fully owned their development agenda (Franke and Esmenjaud, 2008; Glennie, 2008; Mah and Freitas, 2012). A development agenda is a vision of shared economic prosperity, environmental health, and social well-being, achieved through the creation of an enabling framework that empowers and builds the capacity of individuals, communities, and institutions to pursue the agenda's priorities and goals. The committee endorses the above definition of a development agenda because it is explicitly linked to the levers of development accessible to individuals, communities, and institutions. These players attack the roots of poverty when they all engage with the levers of development. To articulate a development agenda, governments engage key economic players, health and education professionals, and community leaders in a dialogue to develop consensus on important country-wide goals and strategies. However, a fully owned development agenda extends further, to a level of personal responsibility and confidence among citizens at all levels of society. A country-owned development agenda is defined by the content of its goals and strategies, and by the processes that achieve them through personal initiative and responsibility. Country ownership is, therefore, essential to weaken the intellectual roots of poverty.

2.2 Economic Development

The historical record reveals that since independence, Africans have rarely led the process of defining a development agenda (Easterly, 2006; Falola, 2002; Franke and Esmenjaud, 2008; Glennie, 2008; Mah and Freitas, 2012). Even when the process has been African-led, full societal participation and ownership have been absent (Meja, 2011). At independence, colonization left African countries with institutions and infrastructure designed to extract and export resources, rather than add value to resources (Nnadozie, 2013). African leaders and foreign experts saw the rapid growth of industry as the most expedient route to freeing countries from dependence on colonial powers and achieving human development (Baah, 2003). Under this pretence, many countries embarked on import substitution industrialization (ISI) policies in an attempt to stimulate local manufacturing (ERA, 2013).

ISI policies were characterized by massive public investment in state-owned and -operated enterprises, coupled with protectionist import tariffs and trade barriers (ERA, 2013). The goal of the policies was to replace imported machinery and technology with domestically produced products. However, developed-world economists were primarily responsible for devising the academic theories supporting ISI. In the context of many newly independent African countries, the institutional, managerial, and financial capacity to properly manage large state enterprises simply did not exist (ECA, 2013a). Furthermore, ISI policies favoured industries that forfeited African countries' competitive advantage—their abundance of labour. By targeting industries from countries that were many times richer, governments bound themselves to a heavily capital-intensive development strategy instead of a strategy that leveraged the skills and energy of Africans. The public companies born of ISI policies were therefore reliant on state subsidies and protection, and could never become competitive on the open market (ECA, 2013a). In many countries, ISI policies bankrupted governments, leaving a legacy of insurmountable debt and stagflation at the end of the 1970s (ERA, 2013). The importation of development ideas without consideration of the African context demonstrates a clear lack of ownership of both the content and process of the development agenda. African governments did not rely on the knowledge and intellectual capacity inherent in their citizens, and chose instead to rely on the prescriptions of foreign economic experts. This intellectual timidity, accompanied by poor governance, resulted in a development agenda that perpetuated poverty instead of fostering the wealth that industrialization promised. When policies were not devised, directed, and owned by Africans, development proved unsustainable.

In the 1980s and 1990s, to combat the shortcomings of ISI policies and to deal with the expanding debt crisis, the International Monetary Fund (IMF) and The World Bank began to enforce structural adjustment programs (SAPs) for African countries seeking loans. Regarded as an economic panacea by the IMF, SAP conditions were applied indiscriminately to indebted African nations. Although SAP programs differed slightly among nations, the core components were the same: to prevent state intervention from distorting incentives and prices, African governments were required to slash budgets and social programs, sell off state-owned companies, and provide generous incentives to court foreign direct investment (FDI) (ECA, 2013a).

Another important pillar of all SAPs was domestic demand management through the liberalization of the foreign exchange market (FEM) (Ogbimi, 1998). SAP conditions stipulated the rapid devaluation of African currencies, followed by flexible, market-driven exchange rates. Devaluation increased import prices, thus lowering import spending, and decreased export prices, thus stimulating export markets (Loxley, 1990). Increased exports and dampened import demand helped move countries toward a positive trade balance (Ogbimi, 1998). However, without robust domestic industries to replace essential imports such as fuel, medicines, and machinery, currency devaluation depressed standards of living for many African citizens (Kraus, 1991; Louis, 2005). Nigeria provides an illustrative example. In 1986—before the implementation of its SAP—US\$1 exchanged for 77 kobo (1 naira=100 kobo). One year later, after the implementation of its SAP, that same US \$1 exchanged for 4.016 naira. The naira's value continued to fall, with US \$1 being worth 9.93 naira in 1991 and 22 naira in 1993 (Ogbimi, 1998). The fate of Ghana's cedi was similar: while 2.5 cedi could buy US \$1 before the implementation of the country's SAP, by 1998 that price was over 1000

cedi (Ogbimi, 1998). Tanzania and Zambia both experienced a similar history of rapid currency devaluation. Attempts to address uneven trade balances must take place in the context of weakened currencies and a delayed development agenda that are the legacy of SAPs (Shah, 2013; Louis, 2005).

While on paper SAP policies were well designed to restore macroeconomic health and the preconditions for growth, they did not take into account the African context. For example, studies have demonstrated that the nature of principal export commodities (e.g., cacao for Ghana and copper for Zambia) may play a determining role in the success of SAP policies, yet IMF conditions rarely took these differences into account (Loxley, 1990). The international community now acknowledges that because SAPs failed to account for market failures and externalities, they did not create the conditions for development (ERA, 2013). SAP reforms increased FDI but crushed domestic manufacturing, and ultimately had neutral or negative social and environmental effects (ERA, 2013; MAD, 2011). Failing to provide the roads, power, infrastructure, or access to credit necessary for success in an increasingly globalized economy, SAPs sacrificed domestic African firms (ECA, 2013a). The 2005 Paris Declaration recognizes that beyond market failures, SAPs lacked ownership by African governments (OECD, 2005). Although governments often were forced into SAPs because of high inherited debt loads, the wholesale importation of economic theories again ultimately resulted in the perpetuation of poverty. The various development models applied since independence have failed to achieve their promised goals; they were derived from conditions prevalent outside Africa, at times and under conditions vastly different from African realities (UN-Habitat, 2014).

After decades of crisis, stagnation, and ineffective development agendas, African economies are now growing rapidly. New political stability in many countries has contributed to improvements in economic governance, allowing the private sector to drive growth (AfDB, 2013). Between 2000 and 2011, Africa's gross domestic product (GDP) increased by 64 percent, double the rate of world economic growth (AEO, 2013). The continent's strong growth has continued to the present day, with a growth rate of 5 percent in 2012, 4.8 percent in 2013, and a projected 5.1 percent in 2014 (ERA, 2013). Compared with the European Union's projected 2014 growth rate of 1.5 percent, African economies are booming (ECEFA, 2014).

Despite this recent impressive economic growth, however, many Africans are not experiencing its benefits. In fact, between 2007 and 2012, nine resource-rich African countries fell in the Human Development Index (HDI) rankings even while registering economic growth rates of 2.7-10.6 percent (APP, 2013). As seen in Figure 1, there is little direct relationship between African countries' GDP per capita and their ranking on the HDI. Today, an estimated 21 percent of children in sub-Saharan Africa are underweight because of malnutrition—a decrease of only 9 percent since 1990 (World Bank, 2012). Despite a decade of strong economic growth, Africans are still hungry and malnourished.

Part of the disconnect between human development and economic growth in Africa is attributable to the fact that much of the continent's new growth is concentrated in the extractive industries. Since 2000, oil and mineral exploitation have contributed an estimated 35 percent to Africa's GDP growth (AEO, 2013). Traditionally, resource extraction industries in Africa have operated as enclaves, with few economic linkages or benefits to the rest of the economy (APP, 2013). Today, for example, 530 million Africans, or 48 percent of the continent's total population, rely on agriculture as a primary source of income (NEPAD, 2013). These citizens experience no direct benefits from the extractive industries—and often suffer their negative consequences (MAD, 2011). Therefore, without sufficient mechanisms to redistribute resource wealth (for example, to the agricultural sector), growth in the extractive industries is decoupled from growth in human well-being. Under a business-as-usual trajectory, in which governments of resource-rich countries continue to rely on extractive industries for growth without instituting significant reforms, Africa will be home to 90 percent of the world's poor by 2030 (Evans and Steven, 2013).

Clearly, the current situation will not stimulate inclusive development and end poverty. The recent growth of African economies presents opportunities, but also profound challenges. A confidently owned development agenda, at all levels of society, is essential if Africa is to transcend its historical cycles of poverty.

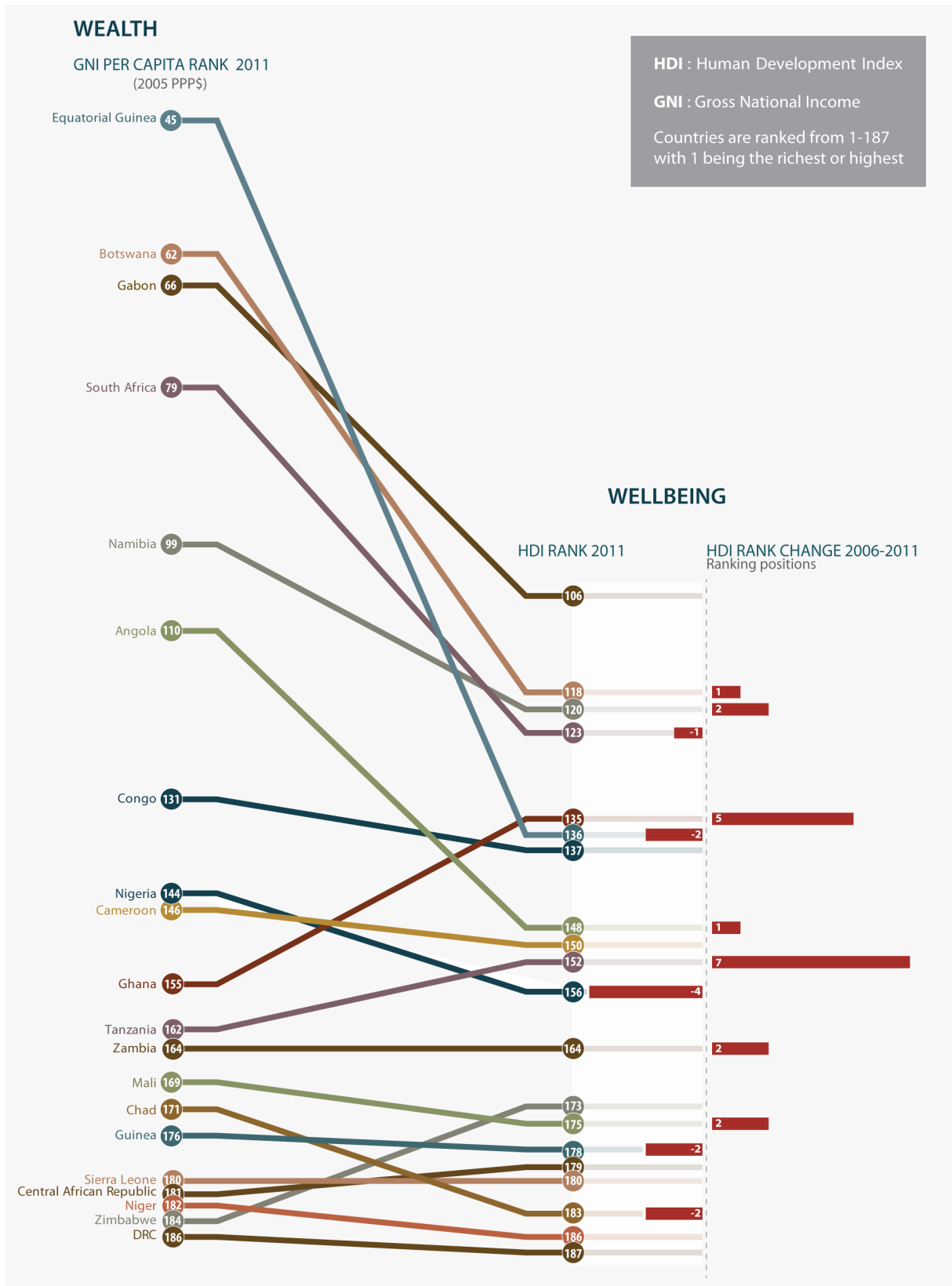


FIGURE 1 | The relationship between GDP per capita ranking and Human Development Index (HDI) ranking. To the right are shown country changes in HDI ranking between 2006 and 2011.

SOURCE: APP, 2013

2.3 Country Ownership

A key challenge to the achievement of a confidently owned development agenda is that the question of what ownership actually entails remains unanswered. Country ownership of development is not a new concept. The 2005 Paris Declaration was the impetus for the international community to recognize country ownership as a prerequisite for the sustainable success of aid programs (Booth, 2011). The Paris Declaration defines country ownership as follows: “Partner countries exercise effective leadership over their development policies and strategies, and co-ordinate development actions” (OECD, 2005). The focus in this definition is on developing-country governments and their capacity to set priorities and craft policies for achieving those priorities.

Since the Paris Declaration, country ownership has provided the overriding framework for the delivery of aid in Africa. In 2008, following up on the commitments of the Paris Declaration, representatives from 80 developing nations, all Organisation for Economic Co-operation and Development (OECD) donors, and more than 3000 civil society organizations met in Accra, Ghana (AAA, 2008). The Accra Agenda for Action (AAA) generated by that meeting represents an attempt to deepen and strengthen the recommendations made in the Paris Declaration. Ownership is the first of AAA’s three central pillars, and is defined as the ability of countries to “determine their own development strategies by playing a more active role in designing development” (AAA, 2008). The text of the AAA emphasizes the role of civil society organizations (CSOs) in realizing ownership by making the concerns and needs of citizens heard (AAA, 2008). Therefore, the AAA definition extends country ownership beyond the legislature to include civil society and all citizens.

In 2011, the Busan Partnership for Effective Development Cooperation, meeting in South Korea, defined country ownership as the capacity of a country to lead its own development. To achieve ownership, the Busan agreement calls for the strengthening of developing-country institutions and national financial systems and for broad dialogue among all development actors, including local governments and CSOs (OECD, 2011). The Busan Partnership extended the concept of ownership beyond issues of aid allocation to make it the backbone of a successful development agenda.

2.4 Agenda 2063

Although the above definitions of country ownership differ in their scale and in the development actors they prioritize, they share a unifying theme: that country ownership implies a change in mindset from waiting for development to occur, to an approach that actively catalyzes development by shaping priorities and the means of their implementation. While the African Union endorses the Busan Partnership’s definition of ownership, no explicitly African-grown definition of the concept exists. A definition of ownership that takes into account Africa’s unique conditions should focus on the underlying shifts in mindset needed at all levels of society. Consistent with this more holistic, participatory, and process-oriented idea of ownership, in 2013 the African Union articulated a vision for the continent’s next 50 years. Agenda 2063 is both a vision and an action plan calling for all segments of African society to work together in building a prosperous society united in a common destiny (AU, n.d.). Integration and expansion of economic activity, achieved through structural transformation, is a route to the unity and prosperity envisaged in Agenda 2063 (AU, 2014). As the African Union develops Agenda 2063’s action plan, specific strategies and priorities emerge; the integration of markets and regulatory bodies, the abolition of visas among countries, the creation of both rail and road networks to connect all major cities, a continent-wide agenda focused on value addition in exports, and the establishment of a regional African stock exchange to determine the value and price of the continent’s products are all concrete strategic options (AU, 2014; Tafirenyika, 2012). Working together and prospering in an expanding economy creates a sense of unity and common destiny. Creating the conditions for people to lift

themselves out of poverty, Agenda 2063 emphasizes participation and ownership at all levels of society. The vision statement of the Agenda is to be “fully participatory and owned by all the continent’s stakeholders, with the full engagement of women and youth in particular, to rekindle the spirit of working together toward collective prosperity, a common destiny under a united and strong Africa” (AU, n.d.). Full participation and stakeholder buy-in are therefore essential to the progression of Agenda 2063.

In the vision statement of Agenda 2063, the intellectual nature of ownership is clear. Recognizing a common, united destiny implies a reorientation of mindset toward a long-term and inclusive vision of society. Even further, it requires the intellectual confidence to invest oneself fully in a chosen initiative or course of action, assured that, as an individual, one has the capacity to define and realize one’s own development. Country-owned economic and political policies are built on this foundation of psychological ownership (Nkurayija, 2011).

Furthermore, under the framework of Agenda 2063, African leaders pledge to “determine Africa’s destiny through taking ownership of African issues and providing African solutions to African problems” (AU, 2013). This idea of designing African solutions to African problems requires strong capacity at all levels of society. The ability to identify developmental problems and to adopt appropriate solutions for addressing them involves seeing the continent through new eyes. The mindset shift necessary to achieve Agenda 2063 values the contributions of all members of society, particularly frequently excluded members such as women and youth. The ownership mindset required to implement Agenda 2063, therefore, sees development opportunities at all levels of society, not just in government.

Consistent with the vision of Agenda 2063, the consensus committee convened to develop this report endorses the following definition: country ownership is leadership and participation, at all levels and in every sector of society, toward achieving a unified goal, where individuals have a stake in and a shared responsibility for delivering the common development agenda. Country ownership in the post-2015 era, therefore, relies on the cultivation of a long-term, developmental mindset at all levels of society. The continent’s political leaders have the responsibility to cultivate an enabling environment in which this developmental mindset can grow from the roots of community resilience (Nkurayija, 2011).



PROBLEM STATEMENT

Historically, international organizations and foreign governments have spearheaded the development agenda in Africa (Franke and Esmenjaud, 2008). A lack of African ownership often has contributed to unsustainable results (Glennie, 2008; Mah and Freitas, 2012). As the MDG timeframe draws to a close in 2015, there is an opportunity to reflect on how Africans can more fully own their development agenda. A key focus of this reflection should be the lessons learned and remaining challenges from the MDGs.

Globally, the goals of poverty reduction (MDG 1), gender parity in primary education (MDG 3), and access to improved water sources (MDG 7) will be met by 2015 (ECA, 2013b). Significant progress also has been recorded on the goals of achieving universal primary education (MDG 2); reducing child mortality (MDG 4); and combating HIV/AIDS, malaria, and other diseases (MDG 6) (ECA, 2013b). Goals that will not be achieved include reducing maternal mortality (MDG 5) and creating global development partnerships (MDG 8) (ECA, 2013b).

Turning the focus to Africa, evidence of progress toward the MDGs is more equivocal. Seventeen African nations are not expected to reach the goal of halving extreme poverty by 2015 (Atisophon et al., 2011). However, the continent also offers important MDG success stories. Many countries have made impressive progress toward the goal of universal primary education (MDG 2). Eliminating primary school fees, the Kenyan government increased enrolment by 2 million pupils (UN, n.d.-b). Ethiopia achieved similar results by eliminating fees, reaching 72.3 percent enrolment in 2007. In Tanzania, enrolment rates increased by 97 percent (almost doubling) from 1999 levels, reaching 98 percent, just shy of MDG 2. A number of African countries, including Botswana, Cape Verde, Togo, and Mauritius, are expected to achieve universal primary enrolment by 2015 (UN, n.d.-b). Despite ongoing concerns over financing, class size, and teacher quality, both educators and the international community regard increases in enrolment levels as an indicator of success (Tafirenyika, 2010). Taking into account all of sub-Saharan Africa, primary school enrolment increased by 42 percent—the greatest rate of increase in the world (UN, n.d.-b).

Although the MDGs encompass important metrics of human development, and were agreed upon by consensus of all United Nations (UN) members, they do not represent African-grown priorities. In July 2003, African heads of state congregated in Maputo, Mozambique, for the Second Ordinary Session of the Assembly of the African Union. At this meeting, the gathered assembly signed a document that declared, “We, the Heads of State and Government of the African Union...[are] convinced of the need for Africa to utilize its full potential to increase its food and agricultural production so as to guarantee sustainable food security and ensure economic prosperity for its peoples” (AU, 2003). African governments pledged to allocate 10 percent of their budgetary resources to agricultural investments within 5 years. By 2012, seven African countries (Burkina Faso, Ethiopia, Guinea, Malawi, Mali, Niger, and Senegal) had successfully met the Maputo target in most years (Benin and Yu, 2012). Although average public expenditures on agriculture by African governments grew from US \$0.39 billion to US \$0.66 billion between 2003 and 2010, this growth was lower than that of general expenditures (Benin and Yu, 2012). Therefore, despite large variation among countries, the fraction of agricultural expenditures on the continent as a whole has actually decreased since the Maputo declaration (Benin and Yu, 2012). Clearly, an African-grown agenda does not guarantee its realization. Political ownership of the stated goals remains a necessary ingredient in achieving any articulated agenda.

Many convincing arguments for the African Union to support an agricultural development strategy exist. While the extractive sector spurs growth, it has little impact on employment. In contrast, the African agriculture sector, defined by its large labour force, has high job creation potential (NEPAD, 2013). Often seen as a sign of stagnation or underdevelopment, Africa's extensive agriculture sector, in fact, holds tremendous potential for the future (AEO, 2013; NEPAD, 2013). Prioritizing investments in modernizing and intensifying family farms can forge forward and backward links in the agri-food industry, thereby stimulating structural transformation (AEO, 2013). It is estimated that by 2025, 330 million additional young Africans will have entered the labour market in search of jobs. Although a growing manufacturing sector will provide some employment, population growth is likely to outstrip the supply of skilled industrial jobs. Cities will provide limited opportunities for Africa's youth, and by default the agriculture sector will absorb much of this surplus labour (NEPAD, 2013). Whether the agricultural sector can provide desirable employment and livelihoods for these new workers will depend on the development of efficient value chains from African farms to the continent's consumers (NEPAD, 2013).

The African Union's Maputo Declaration demonstrates a clear understanding that a development agenda geared toward agricultural investment has the potential to advance structural transformation and economic prosperity for Africans. Although the MDGs indirectly require the development of an agricultural industry to meet MDG 1 (the eradication of extreme poverty and hunger), there is no indication of the structural transformation necessary to achieve this goal. African leaders understood the essential role of agriculture-based structural transformation in transforming their economies and alleviating poverty, yet this priority was not incorporated in the MDG strategies or goals. The lack of explicit alignment between what African leaders understand must be accomplished and the international consensus on development priorities demonstrates that, as in the past, the development agenda of the MDGs is not based on intellectually confident African ownership. Moving forward, it is important for an internationally sponsored development agenda to reflect and respect the development pathways agreed upon by the continent's leaders. The problem addressed by this report, therefore, is how Africa can overcome historical patterns and confidently own its development agenda in the post-2015 era.



HIGH-LEVEL RESPONSE

4.1 Sustainable Development Goals

In May 2013, the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda released its report outlining an ambitious vision and a set of potential goals to replace the MDGs after 2015. Representing a broader focus on human and environmental development, the new goals are tentatively called the Sustainable Development Goals (SDGs) (UN, 2013). As with the MDGs, a central component of the SDGs will be the reduction or eradication of extreme poverty (UN, 2013). However, since the MDGs were formulated in 2000, global circumstances have shifted considerably. A 2012 report from the Institute of Development Studies (IDS) states that 70 percent of the world's poor now live in middle-income countries (Sumner, 2012). This statistic means that although average incomes may push countries into the middle-income category, vast differences in resource access exist within populations (Sumner, 2012). Inequality in resource access is both the cause and consequence of inequality in opportunity, thereby restricting large numbers of the population from reaching their full potential (Doyle and Stiglitz, 2014). Therefore, addressing inequality levels may be essential to successfully eradicate poverty after 2015 (UN, n.d.-c). Strategies for addressing this potential goal range from economic diversification and employment creation to more controversial taxation and wealth redistribution schemes (Doyle and Stiglitz, 2014; Pickett et al., 2013). Internationally, many economists, academics, and development experts acknowledge the debilitating effects of inequality on development agendas, and support the incorporation of a top-level goal on its reduction into the SDGs (Pickett et al., 2013),

Additionally, the international community now recognizes that climate change and environmental issues are inextricably linked to the eradication of poverty. For example, repeated droughts in the Sahel will only drive people further into poverty unless measures are taken to protect them from repeated environmental shocks (OECD, 2003; Tran, 2012). Further complicating the climate change issue is the heavy reliance of a number of African economies on the export of exhaustible natural resources such as oil and gas (AfDB, 2009). If the international community hopes to curb greenhouse gas emissions and fossil fuel use, clearly a structural transformation must occur in these economies to provide new opportunities for those whose livelihoods currently depend on the extractive sector. Like the MDGs, the new SDGs will be reached by consensus of all UN members, and will define the international community's vision for tackling the interconnected challenges of development to 2030.

As the Open Working Group of the General Assembly on Sustainable Development Goals continues to develop its vision, an African consensus on the post-2015 agenda is emerging. Consultation processes organized by the Economic Commission for Africa (ECA) reveal broad agreement with the direction set forth by the high-level panel (Lopes, n.d.). The key post-2015 agenda recommendation that has emerged from the consultation process is the eradication of extreme poverty (ECA, 2013c). However, the ECA recommendations go further to provide a more detailed and nuanced agenda. Consultation participants agreed that a significant shortcoming of the MDGs is their insufficient emphasis on the role of domestic resource mobilization in Africa's development agenda (Lopes, n.d.). Furthermore, consultation participants observed that the MDGs focus disproportionately on outcomes, without sufficiently considering country-provided development enablers such as good governance, broad-based economies, infrastructure,

peace, and security (Lopes, n.d.). Consultation participants articulated that poverty eradication must be stimulated through an agriculture-based structural transformation (Lopes, n.d.). Although agriculture is the foundation, ECA recommendations identify accelerated investment in infrastructure and industrial development, value addition, research, innovation, technology development, and increased productivity as the key outcomes of structural transformation (ECA, 2013c).

4.2 Structural Transformation

Structural transformation is the reallocation of economic activity from the least productive to more productive sectors of the economy, thereby increasing employment, incomes, economic growth, and ultimately human development. Structural transformation encompasses two elements: the rise of new, more productive activities, and the movement of resources from traditional activities to these newer ones—in the process raising overall productivity (AEO, 2013). Eventually, successful structural transformation results in increased productivity throughout all sectors of the economy. The global boom in resource prices, coupled with Africa's natural wealth, has the potential to generate vast streams of revenue for the continent. Revenues generated from resource extraction could restructure African economies, shifting labour from subsistence farming to more intensive agricultural activities, industrial production, manufacturing, and mineral processing (AEO, 2013).

The 2013 African Economic Outlook, prepared in partnership with the African Development Bank (AfDB), proposes a four-layer approach to capturing the latent development dividend of structural transformation. The first three layers of the AfDB's proposal establish the essential bedrock structures of public services and infrastructure, responsible regulatory bodies, and a comprehensive taxation system to effectively manage and exploit Africa's natural resources. From this foundation, the proposal advocates investment in agricultural productivity and capacity-building initiatives (AEO, 2013). Boosting agricultural productivity is an essential first step in most accounts of structural transformation, whether from the distant past of OECD countries or from the more recent experiences of East and South Asian countries (AEO, 2013). Although other mechanisms, such as governance and the rule of law, are important, evidence shows that long-term investments in agriculture can increase productivity across both the rural agrarian sector and the urban industrial sector (AEO, 2013).

Countries, such as Indonesia and Malaysia, that have recently succeeded in structurally transforming their economies have also seen dramatic decreases in poverty (AEO, 2013). In both Indonesia and Malaysia, the expansion of off-farm jobs in transport, processing, and commerce allowed large segments of the population to lift themselves out of poverty (Wood, 2005). Principles such as intensive investment in rural sectors (both on- and off-farm activities), the redirection of oil revenues for social programs, and economic liberalization are identified as the impetus for this structural transformation (Wood, 2005). Not coincidentally, these are the same principles advocated by the African Economic Outlook (AEO) (AEO, 2013).

4.3 Agricultural Investment

The vast potential of African agriculture lies in the African people. While four countries (Algeria, Angola, Libya, and Nigeria) accounted for 77 percent of the continent's oil production in 2010, and four countries (the Democratic Republic of the Congo [DRC], Ghana, South Africa, and Zambia) accounted for 70 percent of all mining production in 2009, all African countries produce food and nonfood agricultural commodities (EIA, 2012; FAO, 2012). As seen in Figure 2, agriculture accounts for a significant portion of the GDP of many African countries today. The majority of

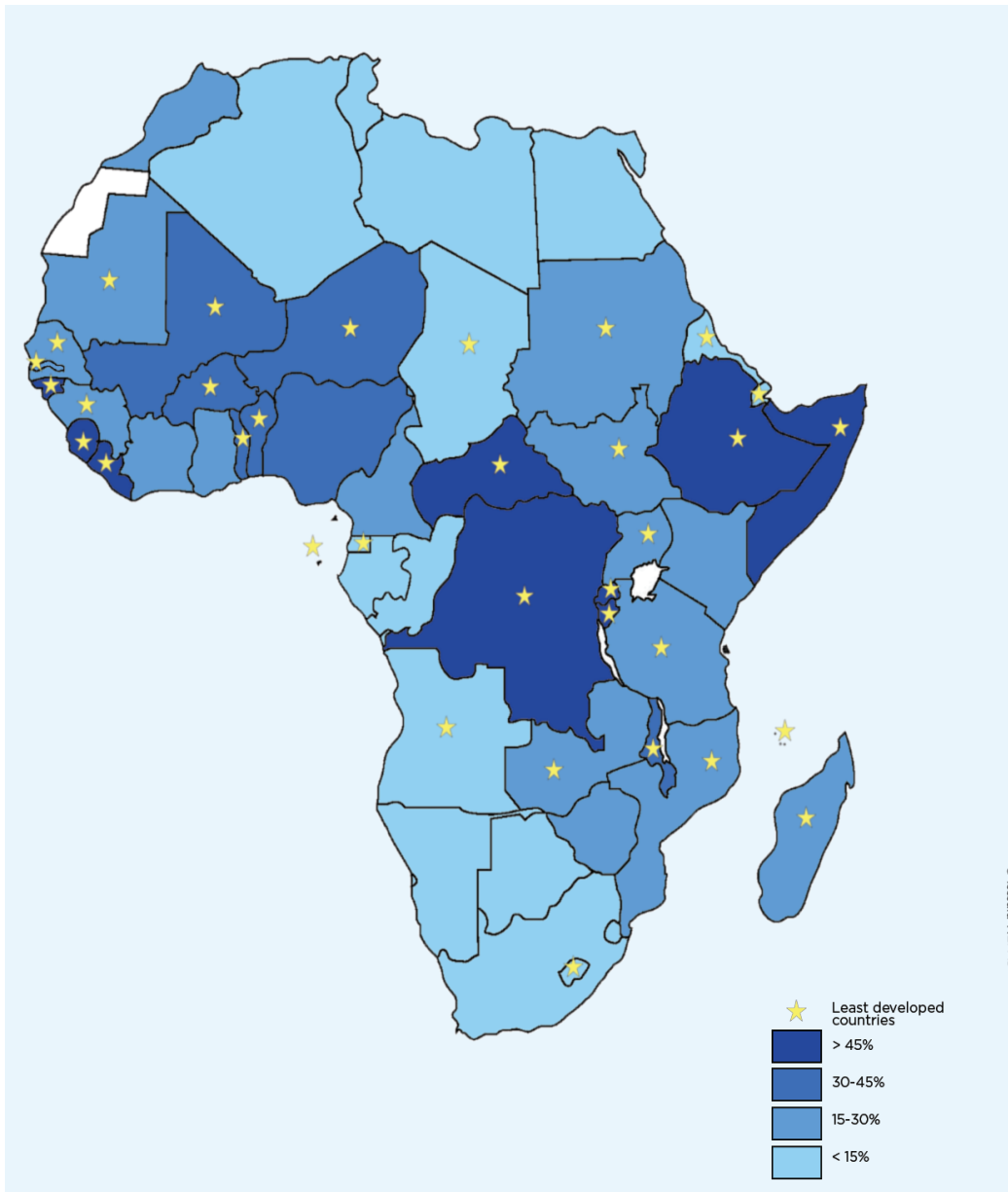


FIGURE 2 | Agriculture as a percentage of GDP (2010 or last available data).
 SOURCE: NEPAD, 2013

Africans work in the agriculture sector, with the proportion reaching 80 percent in some countries (AEO, 2013). Recently, 15-20 percent of sub-Saharan Africa’s GDP originated in the agriculture sector (AEO, 2013). Furthermore, the structure of African agriculture is unique. Although large-scale agricultural investment contracts in Africa now cover more total land than the arable area of South Africa and Zimbabwe combined, the agriculture industry remains dominated by family farms. Africa has 33 million farms of less than 2 hectares, accounting for 80 percent of all farms on the continent (NEPAD, 2013). Despite many large and growing urban centres, out of necessity the majority of Africans will remain at least partially active in the agricultural sector (NEPAD, 2013). Investment in small-scale agricultural productivity, therefore, is investment in the productivity of African communities, families, and individuals.

Importantly for a development agenda focused on poverty eradication, growth in Africa’s agriculture sector is twice as effective at reducing poverty as growth in other sectors (AfDB, 2010). Stated in different terms, because of its high demand for labour, policies targeting the agriculture sector have the potential to benefit one of every two Africans (NEPAD, 2013). Therefore, low levels of intensification traditionally associated with family farming are in fact a considerable

developmental advantage. For instance, increasing family farm access to fertilizers, pesticides, and better seed varieties presents the opportunity to dramatically increase agricultural output without damaging additional sensitive land (NEPAD, 2013). Ultimately, the goal of small-scale agricultural investments is to stimulate innovation and growth in other sectors of the economy (NEPAD, 2013).

4.4 Economic Diversification

The ultimate goal of structural transformation is poverty alleviation through the creation of a more diverse and resilient economic environment (AEO, 2013). Economic linkages and networks in both the agriculture and extractive sectors are the transactions that help generate a diverse economy (AEO, 2013; NEPAD, 2013). A more intensive agriculture sector and an integrated extractive sector increase education and technology capital that spread benefits to manufacturing and commercial businesses (AEO, 2013). The migration of labourers from low-productivity rural to higher-productivity urban employment opportunities typifies the demographic shift of structural transformation. The greater specialization, easier access to capital, and lower transaction costs of urban industry make it an essential ingredient in a poverty-reduction development agenda. As African countries integrate more fully into global value chains, opportunities for African manufacturing will increase. Trade between other developing nations, including both emerging giants (China, India, Brazil) and less economically powerful nations, provides unprecedented opportunities for the expansion of the African manufacturing sector (AEO, 2011). This transformation is already occurring, albeit not yet on the scale necessary for the eradication of extreme poverty. Between 2000 and 2009, the nominal value of African exports—including machinery, transport equipment, and processed commodities—approximately doubled in value, with much of the increase being absorbed by other Southern developing nations (AEO, 2011). Economic linkages providing incentives for the development of urban-based African manufacturing and more intensive agriculture in rural areas are twin pathways out of extreme poverty.

4.5 Population Growth

The ultimate goal of structural transformation and economic diversification is the increased well-being of populations. Knowledge of demographic patterns is essential for policy makers intending to implement a development agenda (Mubila, 2012). Today, Africa's population is growing rapidly, in both urban and rural sectors. This rapid growth alters lifestyles and social structures, and places new pressure on energy, health, education, and economic infrastructure (Mubila, 2012). Anticipating these challenges and grasping the opportunities they provide will allow Africa to confidently implement the vision of Agenda 2063.

Estimates place the continent's current population at 1.1 billion and project that it will more than double to 2.4 billion by 2050 (Pflanz, 2013). To put this number in a global context, in 1950 there were two Europeans for every African; by 2050 there will be two Africans for every European (Economist, 2009). By 2050, well before the end of Agenda 2063, one-quarter of the world's population will be African. Rapid population growth is driven by an average continental birth rate of 5.2 children per woman and by improved health care services that increase lifespans and decrease child mortality (Bongaarts and Casterline, 2012; Pflanz, 2013). Conventional demographic theory states that high fertility rates in the early stages of development are the result of a desire for large families to assist with agricultural labour and to provide insurance for old age (Bongaarts and Casterline, 2012). As countries develop, more children survive, and agricultural labour becomes less important; therefore, fertility rates drop (Bloom et al., 2007; Bongaarts and Casterline, 2012). Despite a modest decrease from the 1950s, when fertility rates stood at 6.5 children per woman, African countries remain outliers relative to the fertility rate patterns of other developing countries

(Ekane, n.d.; PAI, n.d.). In Asia, fertility rates fell from 4.2 to 2.4 and in Latin America, from 3.5 to 2.4, between 1985 and 2005 (Ekane, n.d.). This apparent African divergence from demographic trends is due partly to the continent's recent history of failed development, civil conflicts, and disease, and partly to deeply ingrained cultural traits that value large families and lineage (Bloom et al., 2007; Bongaarts and Casterline, 2012; Ekane, n.d.; Makinwa-Adebusoye, 2001). The high costs of childrearing and child care in terms of both time and financial resources mean that high fertility rates impede economic development (Bloom et al., 2007). However, there is evidence that some African countries (such as Ghana, Ethiopia, and Kenya) are entering a period of fertility rate decline as urbanization and education proliferate (PAI, n.d.). The benefits of a development agenda will only be realized as this trend extends across the continent.

When fertility rates decline, populations encounter a few decades during which a greater-than-average percentage of individuals are of working age. The result, observed in other developing nations of Asia and Latin America, is a demographic dividend that can be leveraged for increased economic growth and development potential (PAI, n.d.). Figure 3 displays Africa's demographic distribution in 2010 and its projected distribution in 2030. In 2010, most of the continent had a high fertility rate. By 2030, the demographic distribution will begin to shift, with a larger proportion of working-age individuals. With many individuals contributing to the economy and relatively few dependents, innovation and economic growth are expected to progress rapidly. However, the appropriate institutions, policies, and investments (such as infrastructure, health programs, education, and training) are essential to capture the energy of this youthful population bulge (ECA-AUC, 2013). Agenda 2063's specific focus on the empowerment of African women and youth is in part motivated by the need to implement these policies and institutions to capture the potential of a demographic dividend (AU, 2014). The economic payoff of a demographic dividend is determined by the support ratio—the ratio of workers to nonworkers (PAI, n.d.). Therefore, empowering women and youth and including them in the formal economy has the potential to dramatically increase the payoff of Africa's demographic dividend (PAI, n.d.).

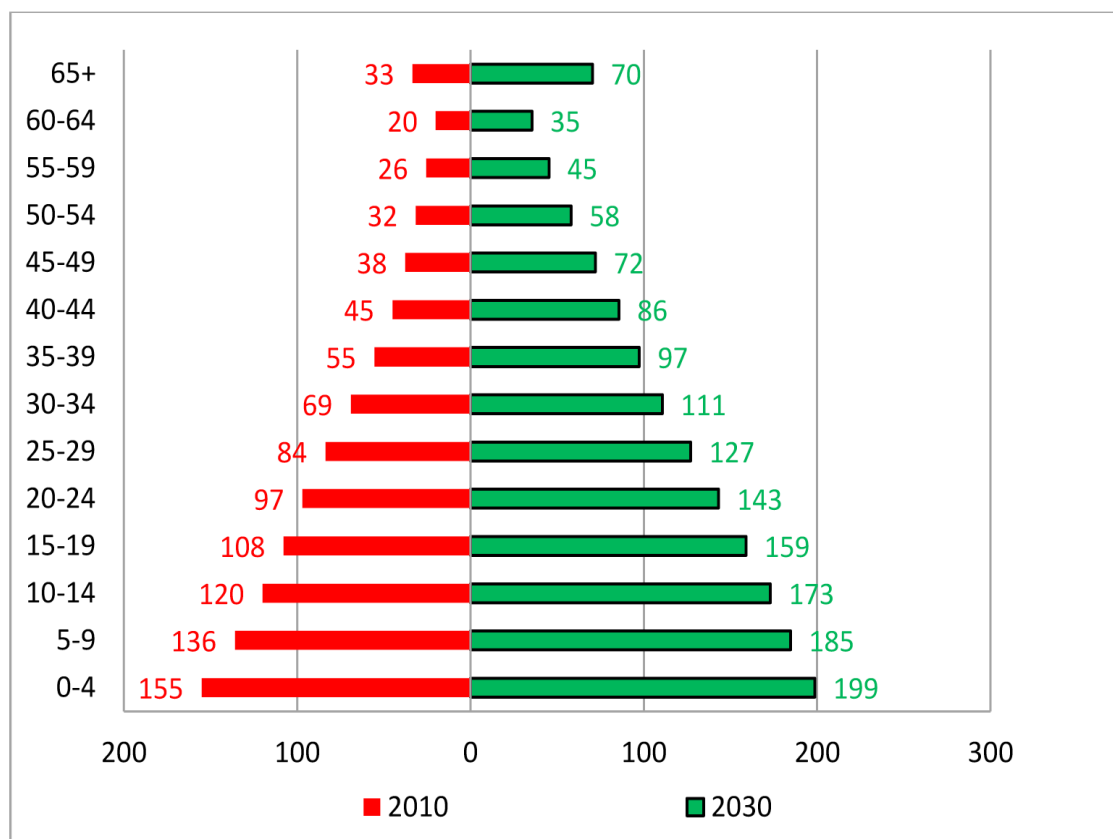


FIGURE 3 | African population (in millions) by age group, 2010 and 2030.

SOURCE: Mubila, 2012

These demographic transitions are already taking place; currently, more than 40 percent of the continent's population is under the age of 15, and 20 percent is between the ages of 15 and 24 (Williams, 2012). The coming decades represent a brief window of opportunity for African countries to access the potential of their young and energetic working-age populations for development (ECA-AUC, 2013). The alternative is a growing number of unemployed and restless youth, which may contribute to increases in crime and political unrest (Bloom et al., 2007). Many of the guidelines for ownership in this report focus on increasing employment opportunities and participation so that young Africans can own their development agenda, thereby producing a demographic dividend for their countries.

4.6 Urbanization

The continent's growing urban centers will be home to many of Africa's new young workers. The most recent data show that 36 percent of Africa's population currently lives in urban areas, with a projected increase to 50 percent by 2030 and 60 percent by 2060 (Ncube, 2012). However, recent evidence suggests that urbanization in Africa does not conform to patterns observed elsewhere in the developing world. First, other developing countries have seen urbanization accompanied by fast macro economic growth; African cities appear to be expanding without contributing to growth (Henderson et al., 2013). Second, urbanization in other developing countries accompanies a sectoral shift from agriculture to manufacturing (structural transformation); to date, Africa appears to be urbanizing without industrializing (Collier and Venables, 2007; Henderson et al., 2013). Finally, African urbanization does not conform to the popular concept of rural migrants flooding to cities in search of employment opportunities (Potts, 2012). Instead, urban expansion appears to be attributable primarily to the high birth rate of women living in urban poverty (Potts, 2012). Therefore, despite the appearance of rapidly expanding cities across the continent, in reality the majority of Africans will continue to gain their livelihood at least partially from agriculture (AfDB, 2010).

These unique patterns of urban growth translate into rapidly expanding slums surrounding the continent's major cities, and increasing levels of urban inequality. In sub-Saharan Africa, 65 percent of urban dwellers live in slums on the outskirts of cities with an average Gini coefficient of 0.58, well above the global average of 0.4 (Ncube, 2012). Scarce basic infrastructure in slums, including transportation, electricity, water, and sanitation—not to mention public services such as health or policing—limit the ability of individuals to capitalize on their intellectual confidence and own development strategies (Ncube, 2012). Some North African countries have recorded success in improving slum conditions without displacing residents by upgrading infrastructure, strengthening property rights, and involving the private sector (both financial and development companies) (Phillips, 2014; UN-Habitat, 2014). With a substantially lower urbanization rate than the rest of the world, African cities have the opportunity to learn from global mistakes and implement policies to encourage health, sustainability, and economic vibrancy as they grow (UN-Habitat, 2014). However, to effect major and lasting improvements in the condition of urban Africans, structural transformation with its attendant industrialization and job creation must be accomplished (Henderson et al., 2013; Ncube, 2012; Potts, 2012; UN-Habitat, 2014).

In the end, development is about people and the communities that make them resilient. A fully owned development agenda, as defined in this report, begins with the attitudes, confidence, and participation of African citizens through their communities, and extends upward to inform the national level of government policies. The concept of structural transformation, leveraged through revenues from extractive industries and agricultural investment, has the potential to give many citizens the tools needed to lift themselves out of poverty. However, the success of such an agenda will rely on understanding and endorsement by the poorest members of society, as well as by government agencies. African governments can leverage the specific drivers of development over which they have influence to initiate the societal shift to a mentality of ownership, and assist communities in undermining the root causes of poverty.



PRIMARY LEVERS OF DEVELOPMENT

To ensure ownership of the development agenda, the consensus committee identified and focused on five levers of development: (1) the role of traditional communities, capacity-building strategies focused on (2) education and (3) health, (4) capital broadly defined, and (5) the culture and policies of institutions. These levers were arrived at through discussions among and examples provided by the African Science Academies' committee of experts. Although many potential development levers could be used to examine ownership, evidence provided by the committee identified these five levers as the most crucial and accessible to policy intervention. Within each lever, both evidence of an ownership mindset and evidence for a lack of ownership are apparent. In many instances, ownership is lacking, but there is evidence to suggest successful strategies to enhance ownership. Although this report separates the levers for ease of analysis, they are all interconnected, both overlapping with and reinforcing each other. Good governance is impossible without efficient and transparent institutions; productive small and medium-sized enterprises are impossible without sustainable financial flows; poor health negatively impacts education outcomes. Conflicts and synergies between the levers are highlighted in each section below. Focusing policy and investment on these prime levers of development will help governments stimulate broader societal ownership of their post-2015 development agendas.

5.1 Communities

Agenda 2063 pledges to seek out African solutions to African problems, and to “rekindle the spirit of working together toward collective prosperity” (AU, n.d.). The defining characteristic of African solutions, both past and present, is that they are grounded in the resiliency of community structure. Yet despite a history of strong family and community structure, development agendas have largely ignored this level of society in favour of national policies. Today, national policies are essential for the success of development, but that success should be judged through the lens of community strength. African identity is intrinsically tied to the strength of families and communities, and the intellectual confidence that defines an owned development agenda is rooted in acknowledgment and acceptance of that African identity (Gottlieb, 2004; Ezenweke and Nwadiolor, 2013).

Communities are at the core of owning African development, as they are both the drivers and beneficiaries of the development agenda. For the purposes of this report, the committee has defined communities as the traditional support structures that make individuals resilient. These include family or clan associations, professional guilds, sodalities, age-grade associations, and religious societies. Although a more general definition of communities may focus on shared beliefs or values, the committee chose the above definition because these forms of community are uniquely African (Gottlieb, 2004). The indigenous African definition of a person is a being inherently in relation with others. People are made from communities, just as communities are formed from people (Ezenweke and Nwadiolor, 2013). Furthermore, these specific community structures, which historically created resilience, are today responsible for much of the nepotism, corruption, and violence facing African countries (Bekker, 2007; Falola, 2002). Therefore, the forms of community pinpointed by the committee's definition represent both the hope and

challenge for Africa's future. As urbanization strains traditional support structures, the definition of communities may shift—what is important is that it remain dynamic, as well as culturally grounded.

Although Africa was home to a great variety of societies in the precolonial era—ranging from the decentralized political systems of the Kikuyu and Igbo to the empires of Egypt, Mali, and Songhay—a unifying characteristic was the importance attributed to lineage, family, and clan (Falola, 2002). Within the clan structure, individuals were often united in communities of professional guilds, age-grade associations, sodalities (secret societies), or religious societies (Falola, 2002). The primary strength of these communal networks and the family structure of many societies was their ability to respond to shocks. Resilience is characterized by an ability to withstand and incorporate external changes (Theron et al., 2013). Although political crises came and went, and although crop yields were sometimes abundant and sometimes scarce, the strength gleaned from working, playing, and worshipping together allowed African communities to hold together through difficult times (Falola, 2002). In many African nations, however, the post-independence era has been characterized by crumbling social structures, civil war, genocide, famine, or failed political systems (Falola, 2002). The resilience inherent in traditional African forms of social organization is absent from the national structures of government. A lasting and sustainable African development agenda, therefore, presupposes the resilient roots of tradition communities.

A discussion of communities in Africa would be incomplete without a response to the intercommunity conflicts that have derailed development progress in many countries. Nepotism, ethnic violence, and religious strife—all impediments to development rooted in a communal identity—continue to tear through African nations (Agbiboa, 2013; Bekker, 2007; Wiley, 2013). The source of these impediments often lies at the intersection between traditional community structures and systems that are alien to the continent. For example, the seeds of much of today's ethnic conflict were planted in 1878 at the Berlin Conference, when the European powers drew arbitrary political boundaries across the continent (Falola, 2002). Similarly, the application of European land tenure laws by independent African states has often come into conflict with traditional systems of ownership (Rukuni, 1999). When traditional systems dissolve because of urbanization or when unenforceable European systems are implemented, the result is often land conflict between individuals, families, and communities. Additionally, growing population pressure and land degradation in many regions lead to the subdivision of family farms and intracommunity conflicts over ownership (Otsuka, 2001). Although some traditional communal ownership structures appear to be incompatible with the credit and insurance requirements of an intensive agriculture system, there is evidence that as population pressure on scarce land resources increases, traditional ownership may become more individualized (Rukuni, 1999; Otsuka, 2001). Guiding the integration of traditional communities with the increasingly globalized capitalist world presents major challenges for African policy makers. Unfortunately, in many countries, appropriate policy is derailed by neopaternalistic governance, in which political leaders stand above the law in their ability to grant and expropriate rights—often along ethnic lines (Acemoglu and Robinson, 2010). The dynamic nature of traditional ownership structures requires constant dialogue between government institutions and diverse communities to mitigate conflict. The case of Botswana, as explored in Box 1, demonstrates one form this constant dialogue may take.

Traditional communities are an integral part of many African societies, and their participation in the development process defines ownership. A major shortfall of past imported development models was their exclusive focus on the national level, effectively making subnational variations and development progress invisible (The Evaluation of the Paris Declaration, n.d.). The neglect of communities and their subsequent exclusion from any ownership of national policies undermines the sustainability of development. Despite a history of exclusion and conflict, there are examples of bridges between traditional communities, national governments, and the private sector. A sustainable development agenda strengthens these bridges and approaches modernity from a grounding in traditional communities.

The National Social Action Program (NSAP) in Sierra Leone was established at the end of the civil war in 2002 to provide immediate and tangible improvements in the lives of those

affected by the conflict (World Bank, 2013). A study conducted by Richards, Bah, and Vincent argues for the involvement of informal, traditional institutions such as sodalities and chiefdoms in the formulation and implementation of reconstruction projects (Richards et al., 2004; Entwistle and Cavassini, 2005). However, engagement with these traditional institutions is often difficult because of underlying power dynamics and traditions. Familiarity with local community institutions and culture is essential for the success of engagement efforts (Entwistle and Cavassini, 2005). In line with these recommendations, NSAP provided a decentralized network of support to local civil society organizations that collaborated closely with traditional political institutions (ADF, 2003). Many of NSAP's specific achievements were community-led infrastructure projects that provided employment and contributed to reconciliation through collective action (ADF, 2003). With this approach, NSAP has shown significant results, providing more than 700,000 people with access to improved health services and achieving the construction of almost 700 km of paved roads and 920 new classrooms (World Bank, 2013). Although a postconflict reconstruction strategy such as NSAP may not provide a comprehensive model for a development agenda, it demonstrates the increased efficiency of including traditional communities in specific projects that affect them directly.

BOX 1

Botswana's House of Chiefs

Although most African national governments have neglected engagement at the communal level, Botswana provides a notable exception. Since independence in 1966, the nation's constitution has codified and formalized the role of hereditary chiefs and their relationship to parliament (Proctor, 1968). Botswana's House of Chiefs extends the role of hereditary rulers from the local level, where elected district councils have replaced much of their power, to an advisory role at the national level (Proctor, 1968). At independence, Botswana's new political elite and the hereditary chiefs reached agreement on a system whereby the chiefs would be excluded from electoral politics, but would hold an advisory position in a House of Chiefs composed of representatives from the country's eight major tribes (Proctor, 1968). In July 2001, following concerns over perceived tribal discrimination, the government convened the Balopi Commission to revise the structure of the House of Chiefs. The Balopi Commission recommended an increase in the number of members in the House of Chiefs; today the house is composed of eight members of the major tribes and seven elected members from the country's major territorial areas (The Botswanan House of Chiefs, n.d.).

More than four decades since independence, Botswana's political system has proven relatively effective. While many other African nations fell into the corruption, nepotism, and conflict of states afflicted by the "resource curse," Botswana's democracy and economy have maintained their stability (Lewin, 2011). While this may have to do with the country's relatively homogenous ethnic composition, credit must also go to the country's early leaders, who successfully reached agreement on mineral ownership with tribal authorities (Lewin, 2011; Soest, 2009). Harnessing mineral revenue has allowed Botswana to record significant developmental success; between independence and 1990, life expectancy rose from 37 to 60, 10 years above the African average (Lewin, 2011). Furthermore, the proportion of people in poverty fell from 50 percent in 1985 to 33 percent in 1994, and the proportion of people completing at least primary school rose from less than 2 percent at independence to about 35 percent in 1994 (Leith, 2005; Lewin, 2011). Although none of these developmental gains can be directly attributable to cooperation between the national government and the House of Chiefs, the atmosphere of trust created by transparency and consultation allows the government to use mineral wealth for developmental projects with less conflict and corruption (Lewin, 2011).

The developmental benefits of engagement with community organizations can also be seen in the extractive industries. Although high-level discussions of natural resource development commonly focus on large, capital-intensive companies, artisanal mining is one of Africa's fastest-growing industries and sources of employment (APP, 2013). High labour intensity, low capitalization, and a migrant labour force that often changes location in search of easy-to-reach minerals characterize artisanal mining. Much of the literature on artisanal mining notes the lack of government policy addressing its unique challenges and opportunities (APP, 2013). Accordingly, artisanal miners often fall under the policy framework of larger mining projects. Under these policies, substantial licensing fees and paperwork create insurmountable barriers for small-scale artisanal mining. The result is a high level of mining outside legal frameworks, with the attendant social conflicts and environmental degradation (MAD, 2011). The illegality of their work forces many artisanal miners to sell their products below market value to middlemen, thereby trapping them in a crushing cycle of poverty (MAD, 2011). Absent engagement by national policy makers, professional communities of artisanal miners are unable to own and influence the development agenda.

An African-owned agenda requires that all levels of economic life be united in a common vision. Even foreign multinationals operating in Africa have a role to play in the development agenda. In Ghana, for example, multinational mining companies have incorporated the activities of artisanal miners into their organization. AngloGold gives artisanal miners legal rights over land in concession areas (APP, 2013). The land provided to artisanal miners most often consists of narrow high-grade or alluvial deposits—resources that are not of interest to the company in the short term. The distinct benefit of this program is that it gives artisanal miners a concrete stake in broader mining policies, and therefore in country-wide development goals. A similar program is being implemented in Tanzania, and governments across Africa could benefit from policies designed to facilitate this type of company-artisanal relationship (APP, 2013). Communities of artisanal miners represent the type of marginalized populations that must be engaged under the Agenda 2063 framework. Increasing the range of societal buy-in to the development agenda decreases the potential for conflict and distributes development benefits more equitably. Improving development ownership among artisanal miners provides this opportunity.

A financial institution in southern Nigeria provides another example of distinct communities overcoming the potential for conflict and working together toward a more prosperous future. Through this financial institution, these communities integrate more fully with the globalized world while maintaining their traditional identities. The Isoko Community Bank (ICB) was established in 1991 in Oleh, in Delta State of Nigeria, with an initial share capital of N925,364¹ (Mabogunje, 2011). By 2001, the share capital had risen to N20.3 million, with a turnover of N35 million in 2000. In 2001, the ICB had total assets equaling N178 million,² deposit liabilities of N109 million, a shareholders' fund of N34 million, and a net profit before taxation of N16 million (Mabogunje, 2011). What makes the ICB unique is that in 2001, the bank's 750 shareholders came from 30 cooperative societies in 17 different clans. Beyond engagement at the community level, the ICB bridges gaps among various societal groups. Furthermore, the bank is a shareholder in a community venture that dedicates 10 percent of its profits to funding small and medium-sized industrial enterprises (Mabogunje, 2011). The bank also provided the required input that led to Delta State University's locating a campus in Oleh. The community venture went on to fund the establishment of the Isoko Language Development Center on the university's campus (Mabogunje, 2011). The successful example of this community bank demonstrates engagement between the private sector and community structures. Access to credit, insurance, and other financial mechanisms allows communities to pursue investments that increase their resiliency and contribute to the achievement of national development objectives.

¹ Assuming US \$1 = N9 in 1991, approximately US \$102,000 (Nigerian Naira, n.d.).

² Assuming US \$1 = N112 in 2001, approximately US \$1.6 million (Nigerian Naira, n.d.).

CONCLUSIONS

The committee concludes that community structures are the foundation for delivering a development agenda. National-level structures currently are not providing the resilience that traditional community structures have provided. Neglecting cultural and traditional practices undermines ownership and decreases the legitimacy of governments in representing their citizens. Traditional institutions provide a link to Africa's past and identity, without which ownership is incomplete. Often, the weakest link in the development chain from government to people lies at the community level. Harnessing the power of these community structures can increase the effectiveness of efforts to achieve national-level development goals, and can increase ownership by bringing more stakeholders into the discussion of a common vision.

RECOMMENDATIONS

- African leaders should involve communities in the planning, implementation, monitoring, and assessment of the development agenda.
- African leaders should acknowledge the value of traditionally resilient communities, and integrate cultural practices and understanding into the development framework.
- Communities should self-assess, self-motivate, and self-start development initiatives using the resources currently available to them.

5.2 Education

“A prosperous Africa is a place where citizens are not only literate—but well educated” (AU, 2014). This quote, from the Zero Draft Document of the African Union's Agenda 2063, embodies the shift in mindset this report attempts to capture. The goals of an ownership agenda set by African citizens, nations, and the continent as a whole need to extend beyond addressing a deficiency to capturing a positive and confident vision. There is no better lever to shift this mindset than education. Beyond literacy, an educated person possesses the capacity for intellectual self-determination. Intellectual self-determination, as defined by Tade Akin Aina in a lecture at the 2009 Annual Meeting of the African Studies Association, is “relatively autonomous and self-conscious capacities to meaningfully assess one's situation, take positions determined by one's interests and their relevance in particular situations, and to be sufficiently confident about the decisions so as to mobilize and deploy the necessary resources to achieve desired outcomes” (Aina, 2010). In short, intellectual self-determination refers to the mindset and qualities necessary to negatively impact poverty and advance an ownership agenda. Therefore, effective investment that produces educated citizens will also foster a mentality that transcends poverty, regardless of the technical field in which citizens may work.

Public education systems in many African countries are still remnants of their colonial past. This grounding in foreign culture often results in failure to value and build on an African cultural base and indigenous knowledge (Eloff and Kgwete, 2007). This system betrays a lack of confidence in the cultural knowledge of often marginalized groups and undermines their participation in national development. The internalization of a foreign education system means that African governments and scholars often have been responsible for excluding, marginalizing, or undervaluing African traditions, knowledge, and ways of knowing (Okolie, 2003). To readjust the education system so that it accords with the actual lived experience of the majority of Africans, institutions of higher learning and research can create spaces in which to take up what is valuable

from modern science and technology and rearticulate it with elements of African traditions, values, practices, and relationships to nature (Okolie, 2003). By cultivating centres of critical inquiry, Africa's higher institutions can help express an agenda that transcends traditional styles of Western development and captures the African way of doing things.

This transition to an ownership mindset and a greater valuation of African culture begins at an early age. The MDGs clearly emphasize the value of primary education, with goals 2 and 3 focusing on universal enrolment and gender parity (UN, n.d.-b). In Africa, this most often means the expansion of an education system whose language of instruction is European (Mukama, 2007). Arguments in support of European language instruction often point to its ability to unify different ethnic groups, the benefits of international communication, and the large cost of transitioning to a multilingual instruction system (Klu et al., 2013). However, these arguments fail to acknowledge the deep connection between language and culture; reliance on European language instruction undervalues the continent's own intellectual resources (Mukama, 2007).

The increased cultural pride that comes with official recognition is one of the most easily observable benefits of mother-tongue instruction. Surveys in Niger, Guinea-Bissau, and Mozambique all elicited responses commenting on the increased valorization and perceived usefulness of indigenous language and culture following the implementation of mother-tongue instruction (Benson, 2002). Additionally, a growing body of evidence supports mother-tongue instruction in early education as a stepping-stone to productive bilingualism (Ball, 2011; Benson, 2002; Hovens, 2002). First, when children are taught in their mother tongue, they are more likely to enrol in school and less likely to drop out (Ball, 2011). Second, mother-tongue instruction has been demonstrated to increase parent-teacher communication and parental involvement in the education process (Benson, 2002). Finally, from a pedagogical standpoint, mother-tongue instruction in early childhood has been shown to increase comprehension and reading and writing ability, even in a secondary European language (Hovens, 2002). The cultural and linguistic pride catalyzed by official recognition increases development ownership at the level of disenfranchised minorities. Beyond increased pride and a sense of ownership, the concrete educational benefits of mother-tongue instruction are likely to produce more competent graduates. Although the MDGs correctly focus on primary education as a key ingredient of development, the literature suggests that an African-owned agenda should refine that position to include indigenous languages of instruction.

The long-standing belief in international development circles that primary and secondary education systems should have priority over higher learning and research has resulted in decades of chronic underfunding of African public universities (Bloom et al., 2005). While primary and secondary education are clearly essential for the achievement of development and equity goals, technical training and university education now are recognized as having the distinct public benefit of increasing a nation's technological and knowledge competitiveness (Bloom et al., 2005). Additionally, graduates of tertiary education institutions often determine the quality of primary and secondary curricula. Therefore, investments in the education and lifestyle of future teachers are likely to trickle down to the primary and secondary systems (Teacher Training, n.d.). Despite these arguments, Africa now has one of the lowest rates of tertiary education enrolment in the world, at 5 percent of the population (Bloom et al., 2005).

However, the situation is rapidly shifting; demand for tertiary education in Africa has exploded. Between 1991 and 2006, the tertiary student population more than tripled, from 2.7 to 9.3 million enrolled students (Jegede, 2012). By 2015, that number is expected to reach 18-20 million (Jegede, 2012). In light of this strong demand and state underfunding, private tertiary institutions have dramatically expanded their operations throughout the continent. Yet while they have increased access to tertiary education, private institutions come with their own challenges. Effective quality control and the availability of qualified instructors often are cited as key stumbling blocks to increasing the efficiency of private institutions (Jegede, 2012). By playing a stronger regulatory role, governments have the opportunity to increase the efficiency of private institutions, and thereby increase both the private and public value of education.

A further concern is that the knowledge and skills provided by African secondary and tertiary educational institutions do not match the knowledge and skills demanded by growing economies (Gyimah-Brempong and Kimenyi, 2013). In other rapidly growing economies, such as China, approximately one-half of tertiary students are pursuing science, engineering, technology, and business degrees. In Africa, by contrast, that fraction is about one-fifth (ERA, 2012). Consequently, African graduates go unemployed while technical positions remain vacant. This educational pattern leaves African youth unable to participate in national programs of structural transformation. Young Africans must be trained in the technical and philosophical aspects of agriculture, resource extraction, and manufacturing if economies are to transition successfully to stable, diverse, and broad-based growth. Technical training in the skills and knowledge that allow youth to participate in structural transformation is necessary for employment, as well as for the future of Africa as a united and strong player on the world stage.

An important aspect of ownership is participation, and the participation of university graduates through employment opportunities will increase their sense of ownership over the development process, and their ability to engage with the rest of the population in the future of their countries. To that end, the African Competiveness Report 2011 encourages African countries to implement policies of curricular reform, to expand funding mechanisms for those entering science or business management fields, and to offer incentives for innovation and high performance (Gyimah-Brempong and Ondiege, 2011). Full society ownership of the post-2015 development agenda depends not only on education, but also on the capacity of educated individuals to engage with the many facets of national economies and diverse groups of people.

Accessibility is another consideration affecting participation in the development agenda. Despite recent advances in the gender equity of education across the continent, significant challenges remain in this area. The gross enrolment ratio (GER) for women in tertiary education in sub-Saharan Africa is 4.8 percent, compared with 7.3 percent for men (UNESCO, 2010). In the 1990s, measures of the gender parity index (GPI) for women in tertiary education improved markedly, from 0.50 to 0.68 (UNESCO, 2010). Since then, GPI has stagnated, perhaps reflecting the shift in priority to achieving universal primary education under the MDGs (UNESCO, 2010). Low GPI in tertiary education is highly correlated with low levels of national wealth. Six African countries with a GDP per capita below US \$1000 also registered low GPI measures: Malawi (0.51), Central Africa Republic (0.43), DRC (0.35), Niger (0.34), Ethiopia (0.31), and Chad (0.17) (UNESCO, 2010). Relatively small increases in national income appear to be associated with improved GPI; for example, Cape Verde, Mauritius, and Namibia, all with a GDP per capita of US \$3000-8000, reported GPIs of 1.21, 1.20, and 1.40, respectively (UNESCO, 2010; The World Bank, n.d.). Despite this correlation, governments must take care to incorporate gender considerations into education policies if they hope to improve the participation of women in national development agendas.

Although there is clear macro-level support for gender equity in tertiary education, significant resistance often remains at the institutional level as a result of patriarchal cultures, political systems, and religions (Aina, 2010). Arguments marshaled in opposition to gender equity frequently refer to a supposed tension between equity and excellence. However, these two concepts are not essentially opposed to each other (Aina, 2010). As noted earlier, the African Union's Agenda 2063 cites the empowerment of traditionally marginalized groups, including women, as a prerequisite for a development agenda owned by all levels of society (AU, n.d.). Progressing toward a mentality of intellectual confidence therefore requires support for all citizens who wish a higher education, regardless of their gender.

Participation in a globalized economy requires experience with information and communication technology (ICT). However, sufficient infrastructure for the implementation and expansion of ICT remains a significant barrier to education. Less than 15 years ago, some of the best-resourced universities of Africa began exploring options for incorporating online sharing, communication, and learning into their curricula (Carr, 2013). Despite this effort, expensive bandwidth, a lack of capacity, and sometimes an unreliable electricity supply all undermine digital integration into African curricula (Carr, 2013). These basic infrastructural shortcomings put African graduates at a significant disadvantage relative to other graduates around the world.

Innovative initiatives designed to overcome these constraints have been implemented in many cases. For example, an experimental program at the University of Ibadan in Nigeria uses a mobile-based platform to achieve learning objectives for distance education students (Adedoja et al., 2013). Although Internet access is often unreliable in many African countries, mobile broadband access has been rolled out successfully across the continent (Carr, 2013). Beyond providing access to information, this initiative facilitates mobile-based tutorials between small groups of students and professors. Initial evidence suggests the success of the initiative provided that certain preconditions—such as basic technical capacity for students and professors, simplicity of software design, and affordable mobile Internet access—are in place (Adedoja et al., 2013). The importance of such projects, from an ownership perspective, lies in their experimental nature. The intellectual confidence necessary to invest in a program with uncertain but potentially beneficial outcomes demonstrates the type of mentality that can advance an ownership agenda. Leveraging available technology and adapting it to a local context constrained by limited Internet access and distance education represents a forward-focused vision in which the benefits of education are available to all Africans, regardless of their location or resources.

CONCLUSIONS

The committee concludes that education is a key tool for increasing individuals' capacities and freedom to leverage development. The wealth of African countries extends beyond their natural resources; citizens represent one of the continent's greatest untapped resources. However, African education systems currently underprepare students to participate effectively in shifting economies. The mismatch between demanded and supplied skills weakens national economies, contributes to unemployment, and undermines full societal participation in the pursuit of development goals. Initiatives designed to support African women in particular are chronically underfunded across the continent. Alignment with the goals of Agenda 2063 requires acknowledging the cultural and institutional barriers to education faced by women as a first step toward empowerment. New digital infrastructure also is required to harness the potential of new education technologies. Basic and affordable access to the Internet, reliable electricity, and efficient transportation networks are just as essential for the success of African students as they are for the success of African businesses.

RECOMMENDATIONS

- African governments should invest substantially more in the skills and knowledge of their people which are adapted to the challenges of the SDGs and Agenda 2063.
- Governments, businesses, and academic institutions should conduct needs assessments to determine the capacities, skills, and knowledge that are key to achieving the goals of the development agenda.
- African leaders and academics should base curricular reform, incentives, and educational investment on a comprehensive needs assessment in each country.
- Private sector employers should transition from a hiring process focused on academic qualifications to a results- and objectives-driven hiring mentality.
- African students should receive assistance in undertaking learning that will provide valuable capacity for economic structural transformation.
- Governments should clearly articulate the roles and responsibilities of different ministries, public institutions, and private institutions in the education realm.
- Governments should radically improve their role as accreditation and regulatory bodies to ensure that the technical education offered by many private institutions has the necessary quality and focus to contribute to the achievement of a development agenda.

- Governments should invest in infrastructure that creates an enabling environment; reliable water supplies, electricity supplies, and transportation systems should become a priority.
- Governments should invest in marginalized groups, such as women working in agriculture, to tap previously ignored capacities.
- Governments and public education institutions should ensure basic digital and computer literacy in the population.
- Governments and education institutions at all levels should improve quality by increasing classroom space, hiring more teachers, and improving teacher-training programs in post-secondary institutions.

5.3 Health

Development is ultimately about people. Along with education, a robust health system is essential for people to reach their full potential. Communities can be robust and resilient only insofar as their members are free of disease. Furthermore, individuals can support each other only when they themselves are healthy. And before people can seize economic opportunities, increase productivity, and pursue entrepreneurial projects, they must be healthy. As expressed in the health objective of Agenda 2063, “A prosperous Africa is a place where citizens are not only free from disease—but healthy” (AU, 2014).

Financing a healthy population is more than a moral imperative; a strong economic argument also supports health expenditures. In a report generated in preparation for the Abuja+12 summit in 2013, the Joint United Nations Programme on HIV/AIDS (UNAIDS) estimates that “as life expectancy rises...every additional year of life expectancy will raise the region’s GDP by an estimated 4%” (UNAIDS, 2013). Currently, many countries lose this potential growth because of inefficient, underfunded, and uncoordinated health systems. For example, one study found that in 2000, South Africa lost more than 300,000 productive work years as a result of largely preventable cardiovascular disease (Leeder et al., 2004; Gaziano, 2008). To put this number in a global context, South Africa lost 2,753 productive years for every 100,000 people, while the United States lost only 1,267 productive years per 100,000 people (Leeder et al., 2004). A variety of interventions—from media campaigns to reduce smoking and improve nutrition to the development of new pharmaceuticals—can reduce this economic loss. All they require is investment (Leeder et al., 2004).

A much-cited paper by Jeffrey Sachs exploring the economic costs of malaria expands the effects of the parasite beyond both direct health expenditures and indirect costs such as lost productive labour. Malaria, which is endemic throughout much of sub-Saharan Africa, impedes the acquisition of human capital (Sachs and Malaney, 2002). One study in Kenya found that primary and secondary school students miss 11 percent and 4.3 percent, respectively, of all school days because of malaria (Leighton and Foster, 1993). Additionally, it is estimated that 13-15 percent of all medically related school absences are attributable to the disease (Sachs and Malaney, 2002). Malaria further undermines development by limiting human mobility and foreign investment (Sachs and Malaney, 2002). Therefore, tackling Africa’s health challenges offers the opportunity not only to improve the well-being of citizens but also to initiate a virtuous cycle in which health investments boost economic productivity, providing resources for further investment in health systems (Sachs and Malaney, 2002).

Despite these hidden economic opportunities, health programs in many African countries remain reliant on financial support from donor countries and international organizations. Meeting in Abuja, Nigeria, in 2001, African leaders pledged to increase health spending to 15 percent

of national budgets. Unfortunately, 12 years later, much of this commitment appears to have been merely rhetoric, as only 9 of the 53 signatory countries (Rwanda, Liberia, Malawi, Zambia, Togo, Madagascar, Swaziland, Ethiopia, and Lesotho) have achieved their funding goal, with an additional 4 countries (Djibouti, Comoros, Burkina Faso, and South Africa) reaching 12 percent of their budget (UNAIDS, 2013). External sources such as the US President's Emergency Plan for AIDS Relief (PEPFAR) and the Global Fund to Fight AIDS, Tuberculosis, and Malaria continue to finance a significant portion of initiatives aimed at closing the health gap in many African countries (Brown et al., 2013). In 2010, 6 countries relied on external sources for more than 40 percent of their health expenditures, 12 countries were reliant for 20-40 percent of expenditures, and 24 countries were reliant for less than 20 percent of expenditures (WHO Africa, 2013). In each of these countries, performance-based funding (PBF) is the preferred method of health care funding. Under PBF, resources are provided on the condition that measurable, predefined health or service delivery objectives are met. Although the joint design of health objectives is a central tenet of PBF, research concerning how different actors actually contribute to the design of health goals is lacking. There is some concern that the preferences of development partners may become embedded in the design process, and influence recipient countries' governance, participation, and ownership (Brown et al., 2013).

The lack of dedicated funding from domestic resources demonstrates a dearth of ownership of the health agenda among some African governments. Besides external funding, out-of-pocket payments are a popular method of health care financing in many African nations. Out-of-pocket payments are a well-documented barrier to health care for poorer citizens, and are a regressive funding mechanism for health systems (WHO Africa, 2013; Mills et al., 2012). Despite their regressive nature, out-of-pocket payments account for 40 percent or more of total health expenditures in half of African countries today (WHO Africa, 2013). Some universal system of prepayment is necessary for African nations to nurture an ownership environment and create the healthy citizens envisioned in Agenda 2063.

The global discourse on health care funding is shifting toward a focus on ownership. In 2010, the World Health Assembly (WHA) urged member states to strive for "affordable universal coverage and access for all citizens on the basis of equity and solidarity" (Mills et al., 2012). A program of universal coverage requires greater use of state resources, and the focus on equity and solidarity includes all members of society—both hallmarks of an ownership development agenda. Following the WHA's recommendations, there are concrete examples of African countries expanding their domestic resources specifically to finance health programs. Ghana, for example, has increased its value-added tax (VAT) by 2.5 percent, funneling all new revenue to the National Health Insurance System (NHIS) (National Research Council, 2012). Gabon has instituted an additional tax on profitable sectors, particularly on agencies that receive and transfer international money. This initiative generated an additional US \$25 million in 2009 to cover citizens unable to contribute to the national health insurance fund (National Research Council, 2012).

Despite these positive steps forward, care must be taken in devising taxation strategies to fund national health programs. Research demonstrates that, depending on country context, some funding mechanisms may be regressive, placing a larger financial burden on the poor. A multicountry study conducted by Mills and colleagues has shown that while indirect taxes (such as VAT, fuel levies, and excise duties) are progressive in Ghana and Tanzania, they are regressive in South Africa (Mills et al., 2012). Researchers speculate that this is because poorer citizens in Ghana and Tanzania are generally unable to afford the products or services targeted by indirect taxes (Mills et al., 2012). Out-of-pocket payments (the preferred funding strategy under SAPs) are regressive in all three countries, and direct taxes are progressive in all three—although the latter exclude the large population working in the informal sector. Currently, Ghana and Tanzania are grappling with strategies for bringing health care coverage to those in the informal sector (Mills et al., 2012). Carefully targeted indirect taxation may provide opportunities to raise the necessary funds progressively. Despite these nuances, the steps taken by countries such as Ghana and Gabon to provide universal health care coverage to their citizens based on domestic resource management provide the opportunity for an ownership environment of full participation to thrive.

Although health concerns all members of society, the continent's women offer specific opportunities to leverage the health agenda for development ownership. This focus is consistent with the African Union's stated goal of empowering marginalized groups in pursuit of a development agenda (AU, n.d-a). African women play a highly influential role in the agriculture sector, producing up to 80 percent of foodstuffs in many countries (ERA, 2012). Despite this important role, women across the continent have access to less capital, credit, education, inputs or services, and training than men. This deficit may stem from the invisibility of the work done by women in many African economies. Although the latest data suggest that the average African woman works 13 hours a day, compared with the average of 8 hours for men, that work is often not for wages. Instead, women contribute to their families by supplementing the low cash wages of men through their management of the subsistence agriculture system (Fofack, 2014). This deep involvement with the agriculture system means that African women will play a crucial role in structural transformation. To expand ownership and create a more stable foundation for structural transformation and growth, development initiatives should target women, especially those working in the agriculture sector (The World Bank, 2012).

Health is a key pillar of the ability of women to engage with African economies and their common destiny. As noted earlier, however, many African countries are unlikely to meet MDG 5—the goal of improving maternal health (ECA, 2013b). This failure undermines the ability of African women to contribute meaningfully to development and economic growth. For example, the percentage of births attended by trained health personnel increased from 44 percent to only 50 percent between 2000 and 2014. To achieve MDG 5, the target is 85 percent by 2015 (UN, 2005). This failure may be due in part to an overemphasis on “supply side” health interventions. Under this paradigm, health interventions are provided to the population based on assumptions of effectiveness and the ability to achieve population coverage rapidly. The shortcoming of this paradigm is that it underemphasizes the role of “demand side” interventions, in which recipients of health services are treated as independent actors with preferences and agency (Lawn et al., 2007). In short, the failure to achieve MDG 5 may be attributable in part to a lack of initiatives promoting ownership on the part of those receiving health care services.

However, there are also success stories in Africa with respect to maternal mortality. Rwanda has succeeded in dramatically reducing both child and maternal mortality in a short period of time. Government investment in health clinics, technology, and personnel led to a 30 percent decrease in child mortality rates between 2005 and 2010. Many of these improvements can be traced to the public health insurance program, *Mutuelles de Santé*, which increased access from 7 percent to 85 percent. Under this program, women pay a small annual premium equivalent to US \$2, and those who visit the health clinic more than four times give birth for free. Community representatives and local health care providers administer the program, grounding it in local traditions of community. The integration of health insurance into local communities demonstrates a commitment to increasing ownership at all levels of society. Furthermore, the small premium required for participation indicates that women are investing in the program and demonstrating ownership over their own health objectives. African women form the backbone of the continent's economies through their work in agriculture, childrearing, and the home (Fofack, 2014). An inclusive ownership agenda will begin at the source, and build a collective, long-term mentality on the work and contributions of African women.

A crucial bottleneck in the provision of health services is the availability of well-trained professionals. While international donor contributions have focused on the procurement of medicines, technology, and facilities over the past decade, the training and recruitment of a health workforce are generally the responsibility of African governments (Omaswa, 2014). Yet without the domestic resources necessary to invest in and train a competent workforce, health care employees across the continent have suffered. Even as Africa bore a disproportionate portion of the global disease burden, at 24 percent, the continent employed one of the world's smallest health care workforces, at only 3 percent of the population (WHO, 2006). Another study found that sub-Saharan Africa, with a population of about 800 million, was training only 6,000 medical doctors—a number comparable to that of European countries with populations of roughly 60 million (Mullan et al., 2011; Omaswa, 2014). Fortunately, this deficiency has begun to shift with economic growth. A

series of global forums, reports, academic conferences, and activist initiatives have spurred African governments to contribute more domestic funds to training health care workers (Omaswa, 2014). Nevertheless, with the continent's population projected to grow by 1.3 billion citizens by 2050, even these newly trained professionals will be hard pressed to meet the needs of their populations (Pflanz, 2013).

Although African countries are beginning to train more healthcare workers, if past patterns persist, many of those new professionals will end up migrating to wealthier nations (Shinn, 2002). The brain drain of African professionals to more developed nations contributes to the continent's health services bottleneck. African leaders have long recognized the harmful undermining of public health services by migration—it is not a new phenomenon. In 1996, then deputy-president of South Africa Thabo Mbeki implored the World Health Organization (WHO) to take measures to halt the flow of physicians to richer countries (Hagopian et al., 2004). The reasons for brain drain are well understood; poor technology or working conditions in home countries and higher remuneration or greater professional opportunities in developed countries all contribute to a physician's decision to migrate (Dovlo, 2003). Furthermore, aggressive recruitment campaigns from developed countries, motivated by the demands of aging populations, often stimulate the migration of highly trained professionals from African nations (El-Khawas, 2004).

The oft-cited benefit of this migration is the significant role that remittances play in the continent's finances. Indeed, the approximately 30 million Africans living outside of their home countries provide a crucial source of income and foreign exchange for many families (Ncube, 2013b). For Africa as a whole, remittance inflows have more than quadrupled since 1990, reaching US \$40 billion in 2010—about 3 percent of Africa's total GDP (Ncube, 2013b). Despite the benefits provided by remittance inflows, the damage incurred by African nations as a result of brain drain includes a systemic undermining of health systems, unlikely to be remediated by simple financial inflows (Schrecker and Labonte, 2004). Complicating the issue, data on the health workforce of African nations are scarce. The World Bank has noted this information gap: “Quantitative data on the health workforce is notoriously unreliable in most countries....In poor countries, government and professional information systems are weak, when they exist at all, and are rarely comprehensive (often there is no information on the private sector) and up-to-date” (Hagopian et al., 2004). Filling this data gap are anecdotes; at the referral hospital in Lilongwe, the capital of Malawi, there are only 183 nurses of the expected 532 in an 830-bed facility (Muula, 2005). A development agenda grounded in ownership must work to maintain the circulation of knowledge and skills held by trained professionals within the continent.

Innovative approaches to combat brain drain and the loss of Africa's educational investments will play an essential role in stabilizing health care systems and providing the universal coverage necessary for Agenda 2063. One possible solution is improved selection criteria for those receiving state support to study medicine. A study in South Africa suggests that medical students of rural origin are more likely to practice in a rural area following graduation (Vries and Reid, 2003). If African governments' goals include increasing health care coverage in rural areas, then careful selection of medical students may provide an effective pathway. More controversially, African governments could encourage the indigenization of medical education. As with primary and secondary curricula in Africa, the medical curriculum in most countries is based on a colonial legacy. One consequence of this is greater ease of migration for physicians trained in Anglophone Africa to countries such as the United Kingdom, Canada, or Australia. Similarly, those trained in Francophone or Lusophone Africa can more easily migrate to France and Portugal, respectively (Muula, 2005). Overhauling medical curricula so they relate more directly to an African context may have the dual benefits of improving health care and reducing brain drain to richer nations. One example of this is the nurse auxiliaries of Malawi. Trained on the job through practical internships for Malawi's specific health care needs, many of these nurses are capable of performing caesarian sections and anaesthetic treatment—skills traditionally reserved for physicians (Muula, 2005). Without full medical credentials, however, these auxiliary nurses are unlikely to find employment outside of Malawi. Although this solution may help stem brain drain and address Africa's lack of health care workers, the program limits the opportunities of its nurses for professional growth (Muula, 2005).

Partnerships between African and international academic institutions may also provide opportunities for innovative programs to address the brain drain phenomenon. Some expatriate scholars have suggested a structured program whereby paid leave would be provided by their employer institution to voluntarily teach, train, or develop curriculum at an institution in their home African country for a few months each year (Mohamoud, 2005). Other proposals to recapture the significant knowledge and human capital of the African diaspora for development include short-term summer courses, guest lectureships, consultancy assignments, and centres of excellence (Mohamoud, 2005). Growing economies and a governance environment that enables investment and ownership encourage members of the diaspora to reestablish professional networks and contribute their knowledge and skills toward development (Mohamoud, 2005). A development agenda grounded in ownership therefore extends a common vision of prosperity beyond the continent to Africa's vast diaspora.

BOX 2

OneHealth

Despite the health care challenges faced by African countries, the education and training of many new doctors, nurses, and other health personnel provide opportunities to shift the philosophy of health care delivery to a more holistic model. The convergence of humans, domestic animals, and the environment has created a new health dynamic in which all of these factors are intertwined (OneHealth, 2008). Globally, the demand for animal protein is projected to increase by 50 percent by 2020 (Delgado et al., 1999). This demand will place increasing pressure on fragile ecosystems and on the health of animals (OneHealth, 2008). Furthermore, of 1,461 recognized human diseases, 60 percent are attributable to multihost pathogens that pass from animal to human (Torrey and Yolken, 2005).

These complex and intertwined relationships prompted the American Veterinary Medical Association (AVMA) to develop the OneHealth concept in 2008. OneHealth is a collaborative framework that integrates professional disciplines working to improve the health of humans, animals, and the environment (OneHealth, 2008). In pursuit of this framework, the AVMA established the OneHealth Initiative Task Force (OHITF), composed of 13 distinguished professionals from government, academia, health science professions, and industry, and charged them with defining the OneHealth concept and formulating a list of recommendations for implementation (OneHealth, 2008). The task force returned with 12 concrete steps, including the formation of a steering committee and the employment of a public relations firm, to realize the vision articulated by OneHealth (OneHealth, 2008).

The importance of OneHealth in the African context is that it represents an innovative and experimental framework for meeting complex future health challenges. An ownership mindset is by definition open to experimentation and novel concepts. In developing the health objectives of Agenda 2063, the African Union has much to learn from the interdisciplinary and collaborative framework of OneHealth.

CONCLUSIONS

Despite significant international and domestic attention, efforts to improve human, economic, and environmental health in Africa have progressed very slowly. Moreover, despite women's significant contributions to economic activity, investments in health services that benefit them directly are insufficient. The insufficient number of trained health personnel is a key factor contributing to the lack of universal health care coverage. Often, health initiatives are not coordinated among different agencies and government branches. Despite these challenges, successes have been realized when sufficient funding and ownership have been present. Future challenges include growing populations and the convergence of human, animal, and environmental health.

RECOMMENDATIONS

- Governments should invest more in the basic physical infrastructure of health, including clinics and water treatment facilities.
- Governments should redirect more domestic resources toward policies of universal health insurance. Natural resource revenues may provide significant financing for these policies.
- Governments should invest more in the training, education, and capacities of people working in the health care sector.
- Regional and international bodies, including the African Union, should examine the feasibility of an integrated, interdisciplinary, and collaborative health care framework such as OneHealth.

5.4 Capital

Traditionally, capital includes the financial resources, machinery, and other technology that increase the effectiveness of labour. Economists and sociologists have expanded and evolved the concept to encompass the earth's natural resources, the skills and knowledge of individuals, and even the symbolic social cues that give an individual opportunities (Cultural Capital, 2011; Roy, 2009). Nevertheless, the concept remains incomplete. From a development perspective, it is not just material resources but also mentality that allows people or nations to progress toward their goals. Capital must be leveraged through an attitude of intellectual confidence to add value and generate returns. The intellectual confidence to leverage capital effectively can thrive when people are both educated and healthy. Here, the committee addresses capital in four discrete categories, each of which may be leveraged by institutions to create the enabling environment for a development agenda of improved health, education, social relations, and a personal mentality of ownership.

5.4.1 Governance Capital

Governance capital is first and foremost about creating the enabling environment in which individuals can achieve their own development goals. Public institutions, civil society, and businesses all have a role to play in creating this environment. Rather than focusing specifically on any of these players, governance capital refers to effective management of the power relationships among them. This "golden triangle" of governance relies on inclusion, transparency, accountability,

and efficiency between and within each of the triangle's vertices. Currently, the links of this triangle do not contribute to an ownership agenda in most African countries. To achieve ownership, every group that engages with the social contract must have avenues for partaking in the benefits of development. Overcoming inequities and supporting administrative justice will fortify the links of the golden triangle and advance an ownership agenda.

Instead of foreign-driven agendas, a current major hurdle to ownership is corruption on the part of sovereign African governments. A study of African countries by Gyimah-Brempong revealed that corruption has a negative, statistically significant effect on GDP growth rates, stifling growth directly through reduced productivity, and indirectly through decreased investment in physical capital (Gyimah-Brempong, 2002). In other words, corruption appears to contribute to a short-sighted investment environment. The uncertain environment created by corrupt practices undermines incentives for the private sector to invest in long-term physical capital. Furthermore, corruption levels are highly correlated with income inequality. In other words, the negative effects of corruption are borne disproportionately by the poor (Gyimah-Brempong, 2002). Systemic corruption, which characterizes all but a few African countries, is the result of a mentality focused on short-term individual gain rather than longer-term and more stable collective prosperity. Corruption is a clear example of a deficit in ownership mentality.

Beyond undermining economic productivity, corruption undermines the legitimacy of governments to their people. In many ways, the perceived level of corruption is more important than objective measures of redirected wealth (Gyimah-Brempong, 2002). The majority of African nations are notorious for their high level of corruption in all facets of society. Of the 20 countries that rank lowest on Transparency International's index of perceived corruption levels, 9 are African (CPI, 2013). The subjective evaluations of corruption by citizens influence investment decisions, growth, and political behaviour (Treisman, 2000). Furthermore, undermined credibility decreases public participation in the political process, and societal ownership of development goals.

The ultimate causes of corruption are complex, and solutions to minimize their damage to society are equally so. Corruption is inherently difficult to study because, as with other criminal activity, it occurs in the shadows beyond the public spotlight. Furthermore, likely determinants of corruption interrelate in many complicated ways, and causation is difficult to determine (Treisman, 2000). The only method left to researchers is to survey the victims of corruption, whose perceptions may not always be accurate.

Nevertheless, specific factors have emerged from research as likely contributors to a country's corruption level. Surprisingly, whether a country is democratic today makes almost no difference in how corrupt it is perceived to be; what matters is whether the country has been democratic for decades (Treisman, 2000). The tenacity of historical patterns may be discouraging for many African governments intent on decreasing corruption today. However, strong evidence demonstrates that the process of economic development reduces corruption—presumably through the rationalization of public and private roles and the spread of education, which makes corrupt actions more difficult to conceal (Treisman, 2000). The extent of state intervention in the economy also is highly correlated with perceived levels of corruption (Treisman, 2000). National governments can help reduce levels of corruption in their economies by liberalizing trade policy and supporting the private sector, while investing in domestic institutions to spur structural transformation. These findings illustrate that to tackle corruption, African governments must legislate transparency and accountability in state institutions, while simultaneously pursuing policies of structural transformation to raise incomes.

In an attempt to diffuse the essential long-term mentality of ownership across the continent, the New Partnership for African Development (NEPAD) established the African Peer Review Mechanism (APRM) in 2002. The APRM, adopted voluntarily by African Union member states, is aimed at improving governance on the continent through a framework in which participating nations can evaluate the status of each other's governance efforts (ECA, 2012). This framework encompasses four key standards: transparency, policy dialogue, capacity building, and compliance (ECA, 2012). Through the process of peer-review the participating country identifies its own shortcomings in each of these categories and outlines strategies to address them. This review is

then submitted to other member states for further comments and recommendations (Jordaan, 2006). The goal of peer review is to produce concrete strategies to address governance deficiencies, and also to engender an environment of mutual accountability among member states (Jordaan, 2006).

The scope and ambition of the APRM—to monitor and report on every aspect of political, economic, and corporate governance—is unprecedented in the world (Herbert and Gruzd, 2007). In its first decade, the APRM has recorded significant successes. It has stimulated national and international dialogues on critical policy matters, including the conduct of elections and opportunities for public participation, the extent of corruption and strategies for combating it, problems with service delivery, and progress on gender equity issues (APRM, 2003; Herbert and Gruzd, 2007). The reviews in some instances have surprised countries with their rigour and candour, while the reviews for Ghana, Rwanda, and Kenya have shown that these three countries have for the most part lived up to the APRM’s central principle of being “credible, transparent and free of political manipulation” (Herbert and Gruzd, 2007). These successful reviews have helped boost the international image of these countries and invigorate domestic debates on governance (Herbert and Gruzd, 2007).

As with any political compromise, the APRM has shortcomings, as demonstrated by the case of South Africa. After an extensive review process, the APRM team of experts produced a constructive and uncompromising report outlining specific actions the South African government could take to improve governance. However, the short timeframe allotted for implementation of these actions caused the South African government to ignore a majority of the report’s more difficult recommendations in favour of broad and vague reforms. The voluntary nature of the APRM prevents levying any penalties on South Africa for this lack of compliance.

Despite its inherent limitations, the APRM represents a powerful, continent-wide tool for stimulating participatory dialogue and governance reforms. Its ambitious, confident, African-led nature is a prime example of the initiatives pursued by an ownership mentality. African leaders across the continent should commit to the APRM framework as a uniquely African response to the need for improved governance.

CONCLUSIONS

Governance capital is built on the golden triangle of power relationships among state institutions, civil society, and businesses. To implement effective and sustainable development policies, governance systems must be simple, and their functioning must be clear to society. Inclusive, participatory political systems increase ownership by expanding the range of stakeholders who are able to contribute meaningfully to the development process. Transparency and accountability are crucial so that citizens can accurately evaluate and respond to the actions of their government. Corruption undermines the legitimacy of government, particularly to traditionally marginalized groups. Tackling corrupt practices increases economic productivity directly, and creates a more future-oriented investment environment. Ultimately, governance capital contributes to building a stable government that can support inclusion, overcome inequity, and promote administrative justice.

RECOMMENDATIONS

- Government, civil society, and the private sector should collaborate to create a transparent and honest enabling environment for development.
- Governments should legislate transparency, enforce laws and rules more stringently, increase the ease of doing business in their country, and invest in physical infrastructure.
- African leaders should promote stakeholder dialogues to determine the specific extent and thrust of policies mentioned in the preceding recommendation.
- African governments should implement outreach and consultation programs with traditionally marginalized groups. Engagement with traditional communities is essential to making the development agenda African.

5.4.2 Resource Capital

Many recent reports and policy dialogues have centered on the potential of oil, gas, and minerals to catalyze the achievement of development goals (APP, 2013; MAD, 2011; AEO, 2013; ERA, 2013). Recognition of this potential is not new; European colonies were established in Africa for the specific purpose of exploiting the continent's natural wealth (Falola, 2002). The optimism of the current reports revolves around historically high commodity prices and the increased capacity of African governments over recent decades to regulate and oversee their own industries (ERA, 2013). Furthermore, continent-wide institutions such as the AfDB have allowed for unprecedented cooperation, capacity building, and financial support for increased transparency in resource sectors.

Despite this justified optimism, considerable challenges remain before ownership of Africa's resource potential can be realized. The evidence of a booming extractive sector presents a paradox: If African countries are so wealthy, why are their people so poor? In many cases, prevalent natural resources are actually the cause of low levels of human development—what is known as the “resource curse.” When resource revenue is high relative to domestic taxation, governments are less accountable to their citizens (Wenar, 2008). The idea of broad societal ownership of the development agenda, and thereby the resources buried in Africa's soil, helps resolve this paradox

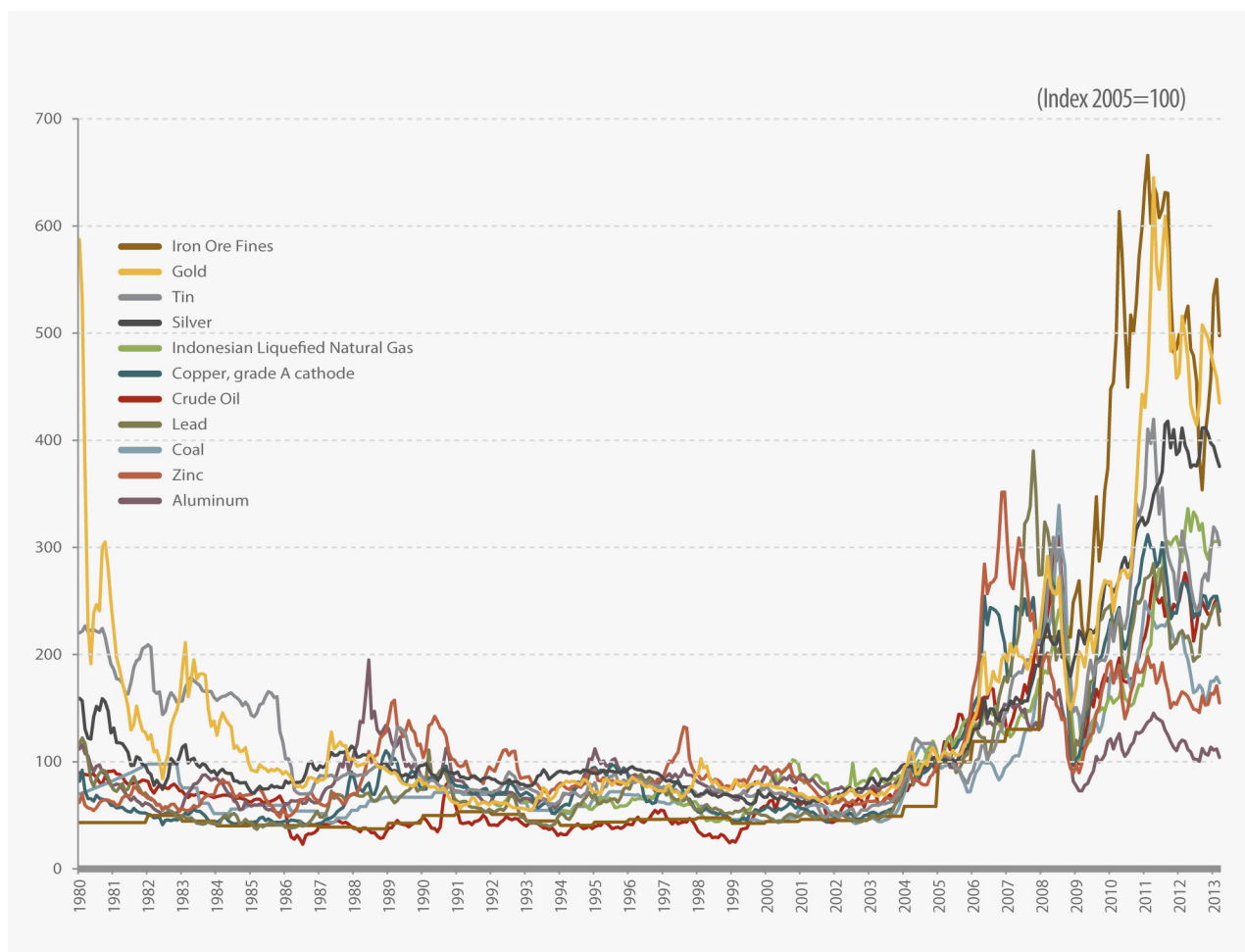
High demand from other nations causes resource prices to rise and spurs the burgeoning extractive sector throughout Africa. As demonstrated by Figure 4, commodity prices over the past decade have been higher than ever before. Between 2000 and 2011, prices for metals and fuels more than tripled (AEO, 2013). Coupled with this rise in prices, exploration has exploded. Known oil reserves in the energy superpowers of Nigeria and Angola increased by 20 percent and 100 percent, respectively, and new oil fields were discovered in Ghana, Kenya, and Ethiopia (APP, 2013). Paralleling the trends in energy resources, Africa has emerged as one of the world's leading mining economies. Some estimates place Africa's mineral reserves at 30 percent of world totals, only a fraction of which is exploited today (APP, 2013). As world markets stand currently, the DRC accounts for just under 50 percent of world cobalt reserves, South Africa accounts for more than 40 percent of world platinum reserves, and Morocco accounts for about 75 percent of the world's phosphate rock reserves (MIF, 2013). Despite these substantial reserves, African countries on average currently spend only one-tenth of what other major mineral producers, such as Canada and Australia, spend on exploration. As exploration expands, the US Geological Survey estimates that Africa will expand its production of 15 important metals by 78 percent between 2010 and 2017 (MIF, 2013). These statistics all point to the vast untapped potential remaining in the African

extractive sector. Regardless of whether development agendas are African owned, these resources will be unearthed and likely exported in the coming decades.

Despite holding a leading position in global reserves, however, the majority of African countries do not participate in value-added activities along mineral supply chains. In 2009, approximately 95 percent of Africa’s minerals were exported for secondary processing (Twerefou, 2009). For example, small-scale, artisanal mining in Zambia’s Copper Belt region produces about 20 percent of the global supply of emeralds. Yet the host country (Zambia) captures only 20.8 percent of the value of mined emeralds; the foreign nations where processing, wholesale, and retail sales take place capture 79.2 percent of the emeralds’ value.

This case of poor value capture is typical of resource extraction throughout Africa. Nigeria and Angola, for example, export crude oil directly and import refined petroleum, plastics, and fertilizers (APP, 2013). Although rapid export growth of raw materials to China and other developing countries has boosted GDPs across the continent, African countries risk reinforcing their marginal role as suppliers of raw resources in emerging patterns of globalization (APP, 2013).

Reliance on low-value-added resource extraction processes hinders Africa’s achievement of broad-based and sustainable economic growth. Low-value-added processes generate less employment than more intensive manufacturing or processing, and thus generate smaller income tax revenues for government (APP, 2013). Furthermore, more specialized skills and knowledge are needed for higher-value-added processes. If African resource extraction firms can move up the value chain, they will stimulate demand for a more diversified and specialized skill base, thus building capacity within the population (ERA, 2013). African countries could be smelting their own steel, manufacturing their own aluminum from bauxite, grinding and polishing their own emeralds, and processing their own fertilizers and pesticides. In this scenario, the higher incomes of industry



Source: IMF Commodity Prices; World Bank Global Economic Monitor.

FIGURE 4 | Mineral, metal, and oil price trends, 1980–2013.

SOURCE: APP, 2013

employees, as well as economic linkages between suppliers and consumers, would contribute to the growth and sustainability of other sectors (ERA, 2013). Conversely, if African countries fail to increase their share of value-added primary-sector processes, they will miss out on the opportunity for inclusive and sustainable development provided by rising global commodity prices.

Poor resource governance on the part of African governments and public institutions, however, often handicaps the implementation of strategies for increasing resource value capture. Unless these sectors are regulated and managed more transparently, they will not succeed in advancing structural transformation and economic diversification (APP, 2013). After more than seven decades of industrial resource extraction on the continent, benefits remain isolated to specific areas and concentrated in the hands of a few (Twerefou, 2009). Development ownership implies a long-term vision from governments that extends beyond any electoral cycle, and recognizes the potential of Africa’s rich resource deposits to effect structural transformation and reduce poverty. Yet despite the potential to reclaim and harness the wealth of the African continent, many governments rate poorly on the 2013 Resource Governance Index (RGI). The RGI, an initiative of the nonprofit Resource Watch Institute, ranks countries on their governance of natural resources using such metrics as “Institutional and Legal Setting,” “Reporting Practices,” “Safeguards and Quality Controls,” and “Enabling Environment” (RGI, 2013). As seen in Figure 5, of the 16 assessed African countries, 76 percent were found to have either “weak” or “failing” resource governance (MIF, 2013). Poor resource governance indicates a lack of country ownership. An ownership mindset recognizes the benefits to all citizens of structural transformation driven by natural resources. Therefore, the failure of leaders to properly manage their countries’ natural wealth betrays the lack of a long-term vision of the potential offered by natural resources.

Examining the details of the indicators and categories collected by the RGI, it is clear that the overriding concerns in African governance are transparency and accountability. For example, 20 of the index’s 50 indicators relate to reporting practices (RGI, 2013), such as whether governments publish the details of revenue generated from resource taxation or the details of resource contracts with foreign companies. The importance of reporting practices is that they allow citizens to hold their representatives accountable for poor or inequitable decisions. Another 10 indicators of the index focus on the country’s institutional and legal setting, such as whether the country has established basic freedom-of-information laws or legal reporting standards for the resource industry (RGI, 2013). Establishing these basic regulations and requiring both public and private players to disclose revenues and contracts helps create an environment of trust in which

African Resource-Rich Countries	Extractive Industries Transparency Initiative (EITI): Compliance Status	Resource Governance Index (RGI)					Open Budget Index (OBI) (score/100)
		RGI (score/100)	Institutional & Legal Setting	Reporting Practices	Safeguards & Quality Controls	Enabling Environment	
Algeria		38	57	41	28	26	13
Angola		42	58	43	52	15	28
Botswana		47	55	28	53	69	50
Cameroon	Compliant	34	63	33	25	17	10
Chad	Candidate						3
Congo	Compliant						
DRC	Suspended	39	56	45	42	6	18
Equatorial Guinea	Lost	13	27	14	4	4	0
Gabon	Lost	46	60	51	39	28	
Guinea	Candidate	46	86	45	43	11	
Libya		19	11	29	15	10	
Mali	Compliant						43
Mauritania	Compliant						
Nigeria	Compliant	42	66	38	53	18	16
Sudan							
Zambia	Compliant	61	71	62	72	37	4

Sources: EITI, 2013; International Budget Partnership, 2013; IMF, 2012; Revenue Watch Institute, 2013b



FIGURE 5 | Resource governance assessments in resource-rich countries.

SOURCE: MIF, 2013

government, business, and civil society can communicate effectively and honestly to build the enabling context for development ownership.

Despite discouraging overall reports of resource governance, a number of African countries provide positive examples of owning the potential of their resources. In Zambia, mining activity has contributed relatively little to government revenue since independence. Even though the country is a major producer of both coal and copper, mining revenue from royalties and corporate and other taxes made up only 4 percent of national revenues between 1980 and 2000. With the rise of global copper prices, the Zambian government committed to a full overhaul and simplification of the mining tax code in 2008. The universally applicable legislation passed by the Zambian parliament left less room for collusive behaviour and tax avoidance (AEO, 2013). Changes to the tax code were felt almost immediately, with mining revenues climbing to US \$6.7 billion in 2011, or 36 percent of GDP. The reformed tax policies demonstrate a commitment on the part of government to redirect wealth from natural resources into public hands. The essential feature of Zambia's updated tax code is that it is simple and universal. There is no confusion over tax rates among competing firms, and companies do not bear excessive compliance costs. Furthermore, firms and citizens can judge more accurately the return on tax dollar investment they expect in the form of services and infrastructure.

These policies are the first step in country ownership. From here, the true challenge for Zambia will begin. With the policy infrastructure to collect substantial revenue from the natural resource sector in place, Zambia has the opportunity to achieve a developmental state that can advance structural transformation and ultimately human development. Strong and visionary leadership in governance allowed Zambia to define its own terms of engagement with resource extraction companies. Underlying the decision to pursue these policies is an ownership mindset focused on long-term potential. Another example of such policies is described in Box 3.

BOX 3

Botswana's Diamond Industry

In 2013, Botswana was estimated to hold 22 percent of the world's diamond reserves within its borders, with 18 percent of those reserves under production (MIF, 2013). The country has strong legislation limiting the use of diamond revenues to investment spending, with the remainder entering a savings account for future generations known as the Pula Fund (APP, 2013). This policy has prevented the government from spending resource wealth while diamond prices are high and inevitably falling into debt when they fall. Furthermore, in 2005 the government of Botswana leveraged its bargaining power as a major diamond supplier while renegotiating licenses with the mining giant DeBeers. Under the new agreement, 16 new factories for diamond cutting and polishing were established, with technical assistance from the company (AEO, 2013). In a partnership known as the Diamond Trading Company, the government and DeBeers each hold a 50 percent stake in controlling supply. The Diamond Trading Company is legislated to release a specified amount of diamonds to local manufacturing companies (AEO, 2013). Strong penalties for noncompliance with any of these initiatives incentivize DeBeers to align its interests with national interests (Morris et al., 2013). Under the new agreement, moreover, DeBeers committed to transferring its London-based diamond aggregation and international sales activity to Botswana by the end of 2013. Taken together, these long-term and country-owned initiatives have the potential to transform Botswana into a diamond trading and manufacturing hub while increasing employment and income tax revenue and growing other sectors of the economy (AEO, 2013).

In addition to poor value capture and poor governance, the environmental and social consequences of resource extraction often are not adequately addressed (MAD, 2011). Environmental degradation frequently is found where governance capital is lacking. In 2004, for example, a US special senate investigation found that the oil companies ExxonMobil and ChevronTexaco, among others, had paid bribes totaling several million dollars to the president of Equatorial Guinea in exchange for drilling rights, reduced tax burdens, and the loosening of environmental regulations (Obati and Owuor, 2010). Greater transparency increases the risks of corrupt behaviour for public officials and allows for the strict enforcement of established environmental regulations.

Beyond corrupt practices, strong environmental policy is often sacrificed for the promise of increased revenue (Obati and Owuor, 2010). Although the prioritization of revenue is understandable in states suffering from extreme poverty, poor environmental regulation negatively impacts the sustainability of the industry as a whole, as well as the health of marginalized people unable to escape the harmful effects of pollution and deforestation (Obati and Owuor, 2010). For example, copper mining in Zambia is notorious for its negative health consequences in surrounding communities. In one township close to a copper mine, it is estimated that 90,000 children have been exposed to lead and zinc poisoning (Feeney, 2001). Despite clear damage to public well-being, the stipulations of resource deals struck between public and private companies mean that some of the mining firms cannot be prosecuted for environmental infractions (Obati and Owuor, 2010).

Beyond consequences for human health, resource extraction companies are often responsible for encroachment on previously protected wildlife and ecological areas (Obati and Owuor, 2010). In 2003, the World Resource Institute produced data showing that globally, more than 25 percent of mines are situated within a 10 km radius of strictly protected areas, that roughly 30 percent of mines and new exploration sites are located within intact ecosystems, and that roughly 30 percent of mines are located in stressed watersheds (WRI, 2003). Taking Ghana as an example, structural adjustment programs in the 1980s and 1990s that encouraged liberalization of mining laws have resulted in the decimation of tropical forests. An estimate produced in 2004 was that the country was losing an average of 200 million hectares of forest a year, primarily to mining exploration (Obati and Owuor, 2010).

Such examples of environmental destruction at the hands of mining companies demonstrate a lack of full cost analysis by host governments. When the costs to human health and the environment inherent in extractive industries are not considered, the development potential of resources is undermined. An ownership mindset toward resource capital is broad and knowledgeable, encompassing a full accounting of the trade-offs of development.

CONCLUSIONS

The committee concludes that the renewed focus on Africa's natural resources is driven partly by a global boom in resource prices, and partly by unprecedented government and institutional capacity on the continent. African countries currently capture only a fraction of the total value of their resources. Until now, the emphasis has been on countries' ability to manage the extractive resource cycle. However, the development imperative of structural adjustment requires that African firms expand into forward and backward mineral supply chains. Legitimate governments and institutions implement transparent strategies for managing their natural resources. Transparent, accountable management of natural resources, accompanied by clear community rights, is the foundation of effective governance. The long-term impacts of extractive activities on people and the environment often have been neglected. Policy frameworks in many countries treat economic development, human health, and environmental degradation in isolation. In reality, these factors are intertwined, and policy approaches to extractive industries require full accounting of costs and benefits.

RECOMMENDATIONS

- African governments should immediately undertake an assessment of the full range of natural resources available in their countries.
- African governments, academic institutions, and the private sector should invest in education and training programs to increase resource value capture.
- In policy dialogues, African governments should emphasize the trade-offs inherent in resource development.
- Civil society and governments should develop full costing mechanisms for resource extraction projects—including economic, health, and environmental effects.

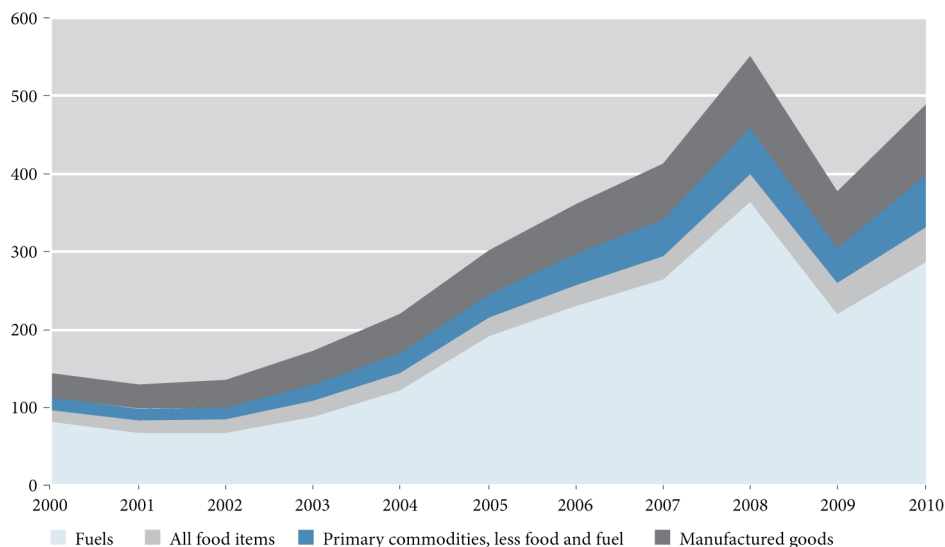
5.4.3 *Technology Capital*

Technology capital refers to manufacturing and industrialization processes that African firms can leverage to increase productivity and employment. Although it is not often reported, African manufacturing has roughly doubled over the past decade. In recent years, manufacturing's contribution to sub-Saharan Africa's GDP has held steady at 10-14 percent, even as economies have grown at 5 percent annually. In other words, as demonstrated in Figure 6, Africa's manufacturing industries are keeping pace with the rest of the economy (Economist, 2014). This increase has been driven largely by demand from other emerging partners, including China, India, Brazil, Korea, and Turkey (AEO, 2011). The growth of manufacturing technology in Africa exists in the context of trade relationships with these other developing nations. As it currently stands, with the continent's fairly low levels of industrialization, many manufactured products are imported. The benefits of comparative advantage mean that this strategy results in cheaper products for African consumers. In Malawi, for instance, cheap Indian pharmaceuticals have proven to be significantly more affordable than domestically produced products (AEO, 2011).

Despite valid concerns about the effects of imports on domestic employment and development, the global picture is significantly more complicated than Africa's exporting raw resources and importing finished products. To illustrate, a complex triangular textile trade has developed between Africa and China. Under this relationship, West African countries export raw cotton to China. The cotton is then processed and sent to Southern Africa as yarn, where it is used as input for low-tech clothing manufacturing industries whose products are destined for US markets (AEO, 2011). Although research on whether such trade relationships help or hinder domestic industrialization remains inconclusive, it appears that they should offer significant opportunities for knowledge spillover and productivity increases (AEO, 2011).

Low labour costs allow African firms to develop trade relationships by exporting manufactured goods to poor developing nations in Asia and Latin America. In 2000, for example, Africa exported 3.4 percent of its manufactured products to China and 14.8 percent to other emerging partners. By 2009, these shares had risen to 11.3 percent and 22.7 percent, respectively, largely at the expense of exports to the European Union and the United States (AEO, 2011). These numbers point to a pattern in which African firms capitalize on the advantages they hold over companies in other poor developing countries to expand their export base. The crucial aspect of this pattern for development is that these trade relationships result in slowly increasing productivity for African firms, so they can expand their competitive advantage and increase their number of export partners. Increased productivity for African firms helps create employment and spread development benefits more equitably.

The success or failure of African firms competing in world markets may have much to do with local circumstances and the availability of infrastructure and resources. In the early 2000s, for example, countries such as Mauritius, Madagascar, Kenya, Lesotho, and Swaziland aggressively



Source: UNCTAD (2011), accessed 19 October 2011.

FIGURE 6 | African exports by broad category, 2000–2010, in current billions of US dollars.

SOURCE: NEPAD, 2013

attempted to develop their labour-intensive export clothing industries. However, cheaper products from China successfully undermined their policies. Between 2005 and 2009, Chinese exports to the United States grew by 457 percent, while African countries saw their US market share in the clothing industry fall from 2.6 percent to 1.3 percent (AEO, 2011). In contrast to the clothing example, Ethiopian firms have established themselves as credible exporters of quality leather shoes to Europe and North America, despite the entrance of Chinese firms to the market (AEO, 2011). The success of Ethiopian firms is attributable to low labour costs, the extensive availability of raw leather drawn from the country’s large livestock population, and the expertise of local craftsmen in Addis Ababa (AEO, 2011). These examples illustrate how exploitation of a country’s inherent resources and human capital is essential to success in international markets. To this end, governments can invest in infrastructure and training programs to capitalize on resources that already exist.

CONCLUSIONS

The committee concludes that despite recent growth in African manufacturing sectors, the current state of infrastructure in most African countries is insufficient to capitalize on development potential. Trade partnerships between African countries and other developing nations are essential to supply affordable products to African citizens and increase the productivity of African firms. Access to domestic resources and expertise is a determining factor in the global competitiveness of African firms. Africa is at a crossroads where sufficient infrastructure can determine the pace of development on the continent.

RECOMMENDATIONS

- Institutions should partner to ensure the availability of capital goods and technology transfers that enhance productivity and efficiency.
- National, regional, and local governments should invest in transportation infrastructure, including rail and highways.

5.4.4 Financial Capital

All of the developmental levers identified by the committee are interrelated; however, financial ownership is the fulcrum for each lever. Providing good governance, capable institutions, and empowered communities requires sustainable financing methods. Furthermore, the source of financing for development initiatives will affect long-term outcomes. It has been well documented that development assistance and budget support result in the recipient government's being more accountable to donor governments than to its own citizens and taxpayers (The Evaluation of the Paris Declaration, n.d.). Therefore, freeing budgets from external support must be a key pillar of an ownership agenda. Finally, maintaining financial flows within the African continent not only benefits its economies, but also represents an optimism and confidence in its future. Although sustainable financing is a prerequisite for achieving any development goals, it represents more than a means to an end. The important thing to note about finance is that it is essentially the product of intellectual capital and the leveraging of knowledge. Economic jargon aside, an effective financial infrastructure is the manifestation of an ownership mentality in the public and private sectors.

Although the MDGs may not represent explicit African priorities, data on their financial requirements gives some idea of the challenges facing Africa. The most recent cost estimates for achieving the remaining MDGs globally is US \$120 billion. Focusing just on alleviation of poverty, the estimated cost to halve the number of people living in extreme poverty (measured as below the international benchmark of US \$1.25 per day at purchasing power parity) is US \$5 billion, US \$4.2 billion of which would be invested in sub-Saharan Africa (Atisophon et al., 2011). These numbers all assume perfect wealth transfer to those in extreme poverty, ignoring hidden costs and leakages. While these assumptions clearly do not hold in the real world, the above figures can serve as general reference points for the order of magnitude of funding that will be required to achieve development goals. It is important to note that these cost estimates consider only the challenge of achieving the remaining MDGs, ignoring the increased costs of the potentially more ambitious SDGs (Bhushan, 2013). If the significantly more ambitious goal of eliminating global extreme poverty at below a US \$2 per day level is adopted, the estimated cost is roughly US \$289 billion (Kharas and Rogerson, 2012). To put this number in perspective, if all current aid to Africa were devoted to this one goal, there would still be a financing gap of US \$200 billion. Regardless of the real-world accuracy of these figures, it is clear that African countries, and all developing nations, face significant challenges in financing the post-2015 development agenda.

Traditionally, the approach to dealing with financing gaps has been to assume that the deficit must be covered with increased aid from donor countries (Atisophon et al., 2011). However, the evidence shows that this assumption is misleading, and undermines country ownership of development. An often forgotten fact is that in Africa, domestic financing already dwarfs aid by 1,000 percent (see Figure 7) (AEO, 2010). Additionally, the US \$40 billion diverted to the continent from the diaspora each year provides many families with the financial capital needed to pursue their own development (Ncube, 2013b). Tax collection in sub-Saharan Africa also has been rising, reaching just over 20 percent of regional GDP in 2009 (Bhushan, 2013). Despite this average increase, however, tax system improvements are uneven across countries. More than half of sub-Saharan countries still collect tax revenues of less than 17 percent of GDP, below the minimum level the United Nations considers necessary to finance the MDGs (AEO, 2010). Furthermore, although the average ratio of tax revenue to GDP (the "tax share") has grown steadily over the last decade, a few oil-rich countries drive this increase (AEO, 2010). As natural resource development progresses on the continent, countries' ability to achieve development goals domestically will be determined along resource wealth lines (Bhushan, 2013). Surprisingly, some resource-poor countries have succeeded in diversifying their tax base to a greater extent than resource-rich countries. Yet despite the stability provided by a diversified tax base, resource-poor countries will remain far from closing the financing gap as necessary to fulfill the MGDs (Bhushan, 2013). Still, while low-resource countries will likely have to rely on aid, middle-income countries should in theory be able to finance their own post-2015 development goals (Bhushan, 2013).

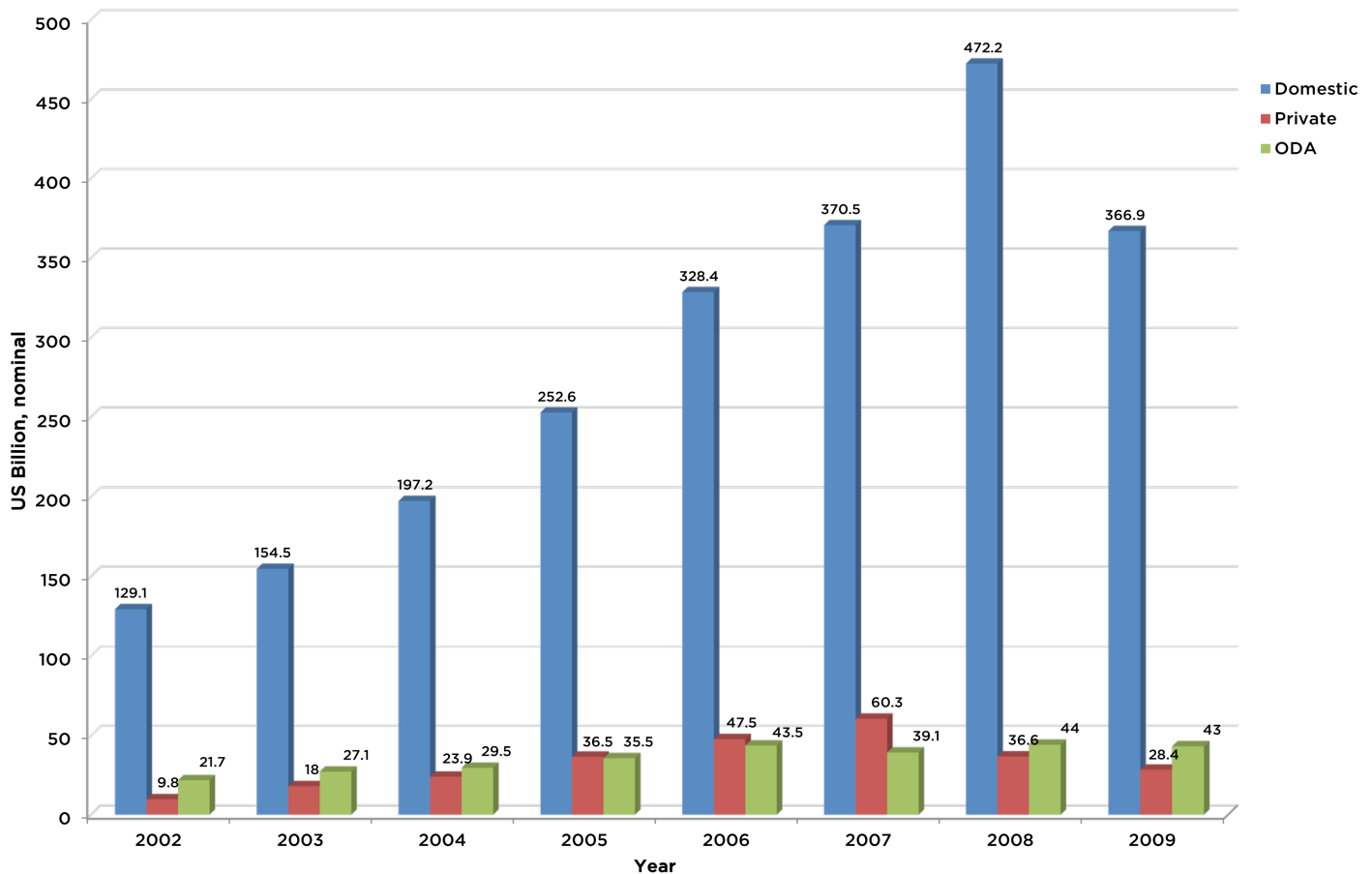


FIGURE 7 | Sources of development finance in Africa.

SOURCE: NEPAD, 2012

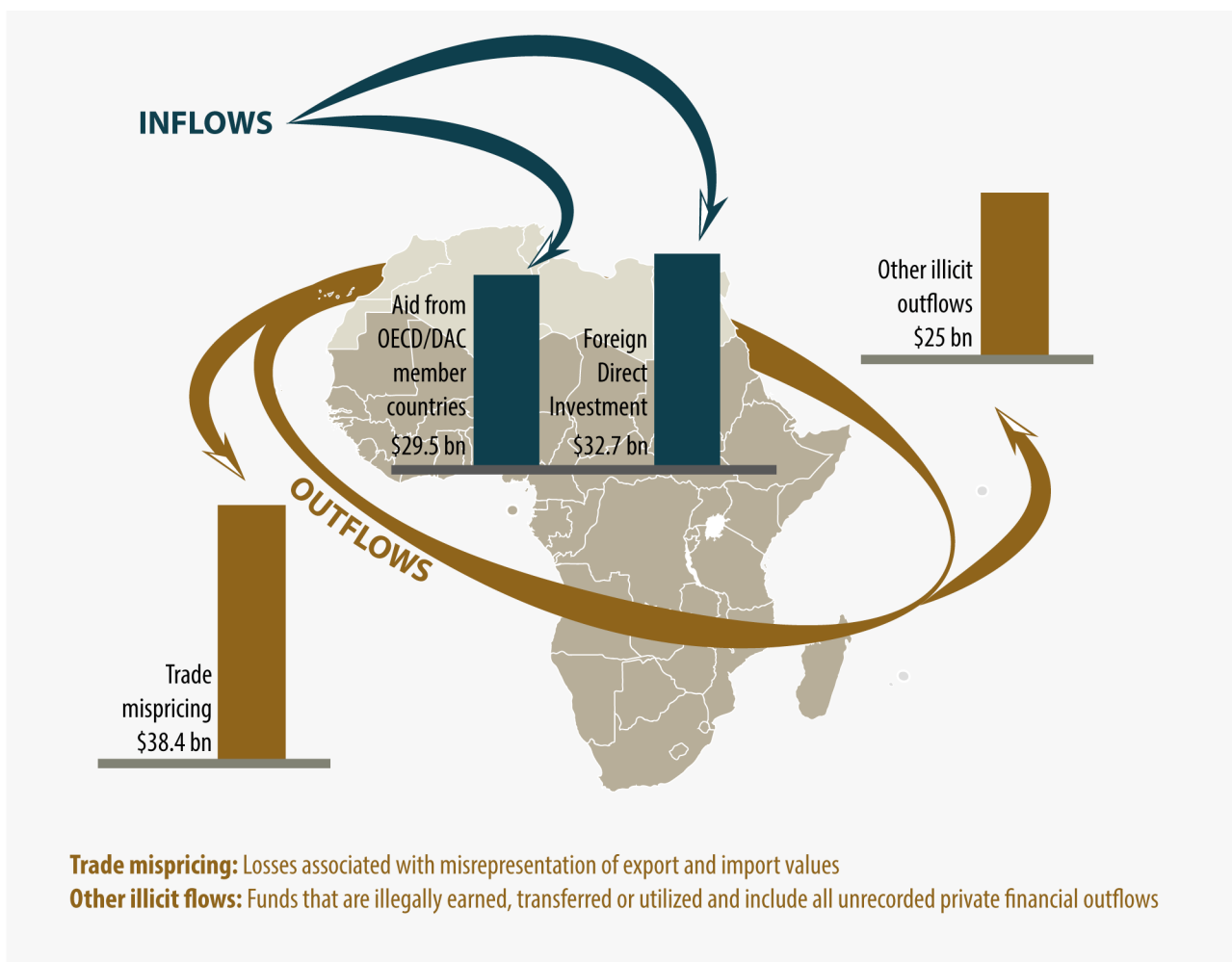
African governments have two central reasons for pursuing domestic taxation strategies. The first is that the SDG funding gap will be massive, and given the track record of developed countries in achieving MDG 8 (a global partnership for development), international funds are unlikely to be readily available. Furthermore, evidence has amply demonstrated that reliance on aid undermines development through effects on the exchange rate, inflation, and interest rates (Clemens and Radelet, 2003). In a deeper sense, reliance on aid undermines development goals by perpetuating a mentality in which African countries are incapable of meeting their own goals. Therefore, there is a strong case to be made that domestically financed development goals are more stable and sustainable than donor-funded initiatives.

The second reason to increase domestic taxation is the benefits of an improved state-citizen compact. If ownership is the sense that an individual or community has a stake in the development process, then a fair system of broad-based taxation by definition increases country ownership. In a recent article for *Skoll World Forum*, Chief Economist and Vice President of the AfDB Mthuli Ncube states: “Ultimately, governments that depend on tax [sic] need their citizens to prosper. Taxation is a mutually beneficial relationship that depends on the citizens feeling that their taxes are working to their advantage through improved public services such as health care and education, while ensuring that governments have resources available at their disposal for other matters of the state” (Ncube, 2013a). In other words, a fairly taxed population will in turn demand an appropriate level of social services from their government. The challenge in many African countries is to maintain accountability, and thereby the trust of citizens in their government.

To increase accountability and the trust of their citizens, many African countries can improve tax regimes by closing loopholes that allow for corporate tax evasion. The governments of resource-rich nations pursue a delicate balance between raising revenue for development and creating a hospitable environment for foreign investment. Historically, during times of low

commodity prices, many governments erred on the side of investment, providing generous tax concessions and import duty exemptions to international companies (APP, 2013). With commodity prices on the rise, many of those exemptions are now inappropriate. In 2006, for example, the government of Sierra Leone reviewed 106 contracts signed with mineral extraction companies since 2003 to determine whether the country was receiving a fair share of revenues. Of those 106 contracts, 36 were recommended for outright cancellation and 14 for renegotiation. A similar government review in the DRC over the decade leading to 2006 examined 61 contracts and found none of them acceptable (APP, 2013). Before the government of Zambia successfully reformed the country's tax code in 2013, it is estimated that half a million Zambian employees in the mining industry were paying higher taxes than the companies for which they worked (APP, 2013). Public knowledge of such loopholes amplifies perceptions of government dishonesty and increases opposition to the expansion of taxation.

An investigation by the ECA in 2004 found that in a majority of African countries, less than a quarter of polled experts were satisfied with the efficiency of their country's taxation system (Amoako, 2004). To achieve broad-based citizen buy-in to the development agenda, countries must pursue tax reform that closes loopholes and increases public perception of a common ownership of financing. From the perspective of the private sector, taxes must be justified through the execution and delivery of services. To increase ownership in the private sector, governments must overcome the environment of secrecy and understatement that is the default setting for small and medium-sized enterprises. At the same time, addressing corruption and weak tax collection infrastructure can help the private sector realize greater returns on its tax dollar investments.



(All figures are average annual 2008-2010 for Sub-Saharan Africa)

FIGURE 8 | Africa loses more money to illicit outflows than it gains from aid and foreign direct investment. SOURCE: APP, 2013

Illegal flight of capital from African countries is a major stumbling block to development ownership. While robbing the continent of badly needed resources, it also reflects a mindset of apathy and pessimism toward the continent's future. Tackling capital flight is an international issue; African governments can play an advocacy role in incorporating better international financial systems into the post-2015 development goals. A study by Boyce and Ndikumana found that between 1970 and 2010, a group of 33 sub-Saharan African countries lost a total of US \$814 billion. To put this number into perspective, it exceeds both the amount of official direct assistance (US \$659 billion) and the amount of FDI (US \$306 billion) received by the same countries over that period (not combined). Assuming that this capital could have been invested at a modest interest rate (equal to the short-term US Treasury Bill rate), these 33 countries lost US \$1.06 trillion to capital flight. As illustrated in Figure 8, sub-Saharan Africa is in effect a "net creditor" to the world (Boyce and Ndikumana, 2012). If African countries are to own the development agenda through domestic resources, it is imperative that the international community tackle the issue of capital flight. To this end, African leaders must advocate for the incorporation of an international effort to end tax evasion into post-2015 development goals.

Ultimately, financial capital is about supporting communities. By reforming corporate tax codes and working to stem the tide of capital flight, African governments increase their ability to invest in domestic programs. Redirecting monetary capital to domestic small and medium-sized enterprises serves two purposes. First, it has the direct benefit of increasing economic diversity and employment, and broadens the local tax base (Abor and Quartey, 2010). Second, these enterprises are the private sector of African communities. Marshaling financial flows in their support has more than economic benefits—it builds on the strong communal relationships that define an African identity (Ezenweke and Nwadiolor, 2013; Falola, 2002).

CONCLUSIONS

The committee concludes that governments, institutions, communities, and people all rely on a steady and sustainable financial stream to implement projects and expand capacities. Financing mechanisms to support each of these actors are essential to achieving development goals. Ultimately, finance represents the intellectual capital of a country and a society's ability to leverage knowledge in the pursuit of development goals. To date, African governments have not adequately marshaled monetary capital for domestic investment and broadened the local tax base. The mobilization of domestic resources through a fair system of taxation—of both citizens and corporations—defines a sustainable financial system. By definition, a citizenry engaged through taxation has a stake in development, and is more likely to hold its leaders and governments accountable. Keeping financial flows within the continent demonstrates a confidence in the common vision of Africa as a strong and prosperous collection of nations.

RECOMMENDATIONS

- African governments should base financing mechanisms for supporting governance, institutions, people, and communities on domestic resources.
- African governments should simplify and universalize tax codes so they apply equitably across society.
- Financial institutions should promote diverse vehicles for domestic saving, such as private and public pensions, mutual funds, and other financial instruments, to increase the number of citizens and businesses with a direct financial stake in national development.
- Governments should design fiscal policy to support entrepreneurs, such as through partial guarantees on long-term productivity investments.
- Governments should carefully leverage revenue from natural resource extraction to generate broad-based economic growth.
- African leaders should advocate on the world stage for measures addressing illegal capital flight.

5.5 Institutions

Capable and strong institutions often are singled out as an important prerequisite for development. The category of “institution” spans a broad range of structures, from public enterprises and government agencies to private businesses and nonprofits. Nevertheless, the primary role of all institutions is to leverage the forms of capital outlined above to create an enabling environment for individuals and communities to reach their full potential. In general, institutions are systems and processes that operate based on specific values and rules. These values and rules define the responsibilities of the institution and result in a number of recognizable behaviours. A key component—and something that separates effective from ineffective institutions—is the metrics used for assessment. Effective institutions integrate systems of self-evaluation to enable continuous and incremental learning. An institution’s efficiency and ability to meet goals is enhanced when an environment of trust and accountability is established through self-assessment.

An environment of trust is the bedrock that allows investors of all kinds to invest in capital—be it financial, technology, or human. A development agenda based on ownership requires an environment of trust. To take the risks inherent in pursuing individual development, citizens must trust that their initiatives will not be arbitrarily undermined and that their tax contributions will not be spent inequitably. An environment of low trust between institutions and citizens results in an investment mentality focused on the short term. When risks are high and uncertain, people will choose investments that give them the greatest rate of return over the shortest possible time. This mentality is incompatible with a broader ownership vision of collective long-term prosperity. Therefore, the role of institutions in furthering an agenda of ownership must be to facilitate an environment of trust that is conducive to development.

5.5.1 Public Institutions

Public institutions include state-owned resource companies, and regulatory bodies that oversee every sector of the economy. Unfortunately, many of these institutions are plagued by

opacity, corruption, and low capacity. Government legislation and many initiatives, including AfDB projects, are designed to address the lack of ownership in public institutions (ALSF, n.d.; APP, 2013). Increased public institutional transparency and capacity may assist the private sector in developing a parallel set of economic institutions focused on long-term investment.

Themes of opaque financial dealings, revenue redirection, ineffective regulatory enforcement, and insufficient capacity are replicated through public institutions involved with the agricultural and manufacturing sectors, as well as the extractive industries. However, African state-owned mineral and oil companies offer many concrete examples of the challenges confronting all public institutions. In many cases, these state-owned companies are the legacy of earlier development initiatives, and play the dual roles of managing and exploiting domestic resources (APP, 2013). To maximize capacity development, state companies participate in joint ventures with foreign companies. For example, the Nigerian National Petroleum Company (NNPC) has production sharing contracts with more than 30 oil companies, including ExxonMobil, Chevron, Total, and Petrobras. Similarly, Equatorial Guinea's state oil company, GEPetrol, holds contracts with American companies and an increasing number of Chinese companies (APP, 2013). In addition to operating joint projects, state companies often are responsible for managing the regulatory environment; an example is Angola's Sonangol, which oversees the activities of more than

BOX 4

The Kolwezi Copper Project

The Democratic Republic of the Congo (DRC) is currently estimated to have 50 percent of the world's reserves of cobalt, a mineral crucial to the manufacture of high-grade alloys for engines (MIF, 2013; USGS, 2006). The DRC also holds significant reserves of diamonds, oil, and copper, placing the country well within the resource-rich category. Despite this mineral wealth, the people of the DRC struggle at the bottom of the Human Development Index, afflicted with a history of violence often centered around mineral wealth (MIF, 2013; Twerefou, 2009). A deficit of institutional capacity within the state-owned mining company Gécamines has damaged the DRC's ability to capitalize on its natural wealth. The African Progress Panel's 2013 report records a number of questionable mineral deals that have occurred since 2010. In each case, the sale of concessions involved off-shore companies registered in traditional tax havens such as the British Virgin Islands and Bermuda (APP, 2013). In all of the examined deals, Gécamines sold a significantly undervalued concession to an off-shore company, which then sold the asset to a larger company for an average profit margin of 512 percent (APP, 2013). The inherently opaque nature of off-shore companies makes it impossible to determine the ultimate beneficiary of such spectacular profits. One such deal occurred in 2010, when Gécamines revoked First Quantum Mining's contract for the Kolwezi copper project and awarded a license granting 70 percent control of the concession to the Highwind Group, a collection of four companies registered in the British Virgin Islands. The Eurasian Natural Resource Corporation (ENRC), listed on the London Stock Exchange, subsequently gained control of the Highwind Group when it purchased 50.5 percent of its parent company Camrose. All assets considered, ENRC effectively paid US \$685.75 million for Kolwezi, which was originally purchased by the Highwind Group for US \$63.5 million. In effect, whoever owns the Highwind Group registered a return of just under 1,000 percent, and the people of the DRC lost more than US \$600 million in potential revenue (APP, 2013). This deal is not an isolated instance, but one visible transaction in a secret parallel economy in which vast fortunes are amassed at the expense of citizens (APP, 2013). Estimated total revenue losses resulting from this deal between 2010 and 2012 reach as high as US \$1.36 billion, almost double the DRC's national budget for education and health combined (US \$698 million).

40 foreign oil companies (APP, 2013). The situation is similar in the mining sector, where state-owned companies traditionally act as the gatekeepers for the industry. For example, the DRC's Gécamines holds a monopoly over the sale of mining concessions. In Zambia, the government maintains a minority stake in most major copper extraction projects through its company Zambia Consolidated Copper Mines Investment Holdings (APP, 2013).

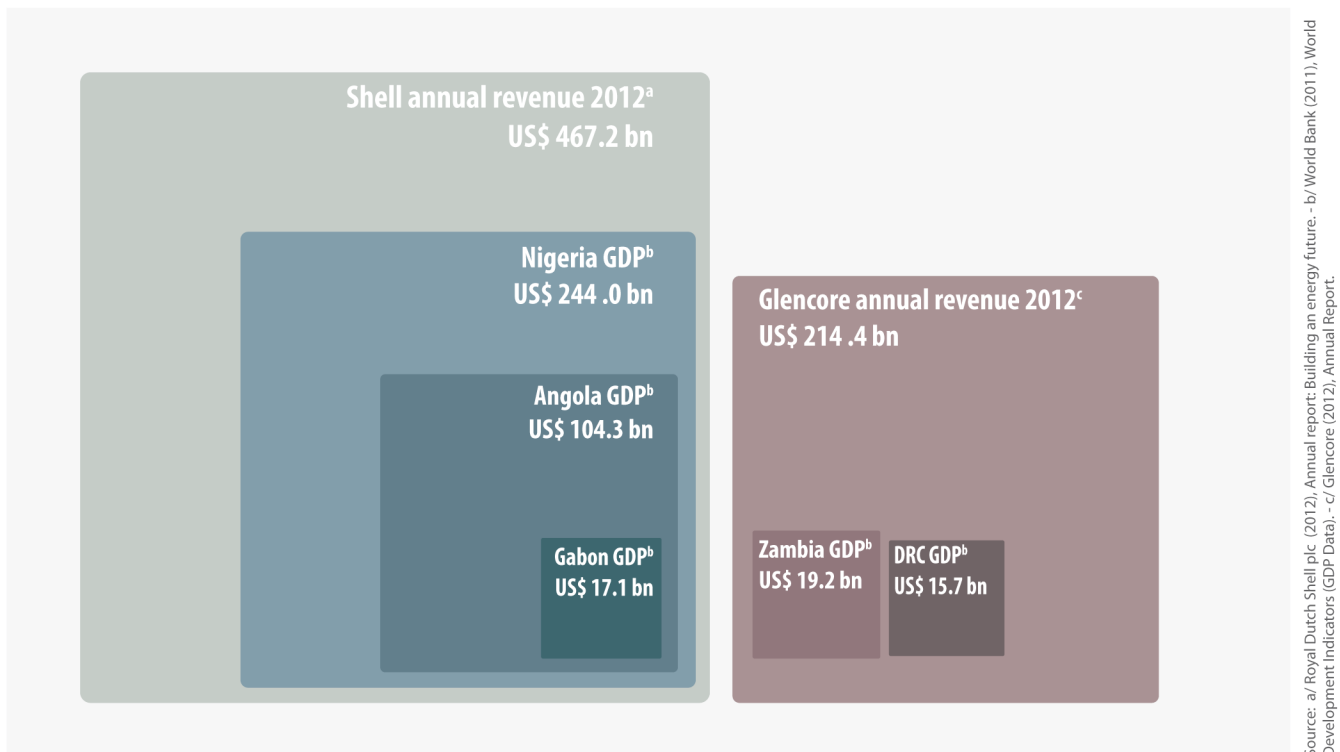
Although state control of domestic resources holds the potential to generate revenue and stimulate sustainable development, problematic shortcomings of institutional capacity in state-owned companies lead to widespread diversion of funds. The mindset apparent through the actions of many state-owned companies is not one of long-term ownership. Therefore, a fundamental pillar of sustainable development in the post-2015 agenda is strengthening the regulatory capacity of public resource institutions.

Many African countries, including the DRC (see Box 4) and Nigeria, experience resource diversion through poor institutional ownership. Between 2006 and 2011, NNPC was implicated in fuel subsidy mismanagement that may have cost the Nigerian people up to US \$6 billion in revenue (APP, 2013). The current state of these public institutions cannot be conducive to an ownership mentality. Not only does the redirection of public resources undermine the government's ability to effect structural transformation, but the investment environment created is one of distrust, in which citizens are unable to take the risks necessary to stimulate individual development. To move forward with development post-2015, governments must dismantle endemic corruption, through prosecution and enforceable legislation, to slow the redirection of public resources.

Both the DRC and Nigeria have taken legislative steps to recapture domestic resources. The DRC parliament recently adopted the transparency standards of the Extractive Industries Transparency Initiative (EITI) as mandatory throughout the extractive sector, and now requires any sale of public assets to be made public within 60 days of execution (EITI, 2013; APP, 2013). Even with these efforts, the International Monetary Fund (IMF) withheld a loan of more than US \$225 million to the DRC because of concern that the government was not publishing the full details of a deal between Gécamines and an offshore company registered in the British Virgin Islands. Shortly after, the AfDB withheld a loan of US \$87 million in support of the IMF's decision (APP, 2013). The Nigerian government also has improved its record of reporting to EITI, and now makes data on export volumes available to the public (APP, 2013). These small legislative steps toward institutional transparency increase the likelihood that the mindset underlying the operation of state-owned companies can transition to a long-term vision of development ownership.

Governments are aware of the challenges associated with opaque business practices in publicly owned companies. In 2012, the president of the DRC said, "We must avoid situations where mining contracts are not published...where sales of mining assets are undervalued, and the government is not informed of what state mining companies are doing" (APP, 2013). To increase country ownership of development in the post-2015 era, the mindset in national institutions must shift from an inward focus on immediate gain to a long-term vision of the potential that resources hold for the institutions' owners—African citizens.

Although there are significant revenue losses to corruption, many African nations suffer a genuine and damaging lack of capacity with respect to valuing their own assets; dealing with foreign companies; and leveraging resource wealth to increase access to markets, technology, quality jobs, and equity. While the diversion of public funds could be the result of corruption, there is also a considerable capacity gap between state-owned companies and foreign multinational energy and mineral companies. This capacity gap often compromises the bargaining position of governments or public companies, as they do not have the expertise or personnel to accurately judge the worth of deposits and potential extraction costs (MIF, 2013). Although GDP is not directly comparable to company revenue, Royal Dutch Shell's 2012 annual revenue, at US \$467.2 billion, was almost double Nigeria's 2012 GDP of US \$244 billion. The difference is even more stark when compared against Angola's 2012 GDP of US \$104.3 billion or Gabon's 2012 GDP of US \$17.1 billion (APP, 2013). This pattern of disproportionate financial capacity, illustrated in Figure 9, also is present throughout the mining sector. Annual revenue of the mining giant Glencore was US



Source: a/ Royal Dutch Shell plc (2012), Annual report: Building an energy future. - b/ World Bank (2011), World Development Indicators (GDP Data). - c/ Glencore (2012), Annual Report.

FIGURE 9 | Multinational corporation annual revenue versus national GDP data.

SOURCE: APP, 2013

\$214.4 billion in 2012, an order of magnitude greater than the DRC's 2012 GDP of US \$15.7 billion or Zambia's 2012 GDP of US \$19.2 billion (APP, 2013). Although financial capacity may not translate directly into human capacity, these figures demonstrate the massive imbalance in resources available to foreign companies and African governments. Capacity imbalance may largely account for the low levels of institutional ownership observed in Nigeria and the DRC.

Regional initiatives to combat this capacity imbalance have been undertaken. In 2010, the AfDB launched the African Legal Support Facility (ALSF) to address issues of legal capacity in AfDB member states (ALSF, n.d.). The core mission of the ALSF is to provide not-for-profit legal advice to countries targeted for litigation by vulture funds. A secondary core objective of the ALSF is to shore up legal capacity in countries negotiating complex commercial transactions with foreign companies. For capacity assistance in these transactions, the ALSF collects a fee. Ultimately, this role of the ALSF is beneficial for both governments and companies; it prevents governments from canceling contracts when they later understand the full implications, thereby creating a less risky and more stable investment environment (ALSF, n.d.). The ALSF currently has 47 member countries and is engaged with 26 separate advisory projects (ALSF, n.d.).

The mission of the ALSF has a sunset date of 2022, at which point it will be phased out. This clause represents the ALSF's goal of building long-term capacity within African governments and institutions, so that in 8 years' time it will no longer be necessary. African-centered, long-term institutional leadership represented by organizations such as the ALSF is a step toward ownership of a common development future post-2015. State institutions have the ability to define the common destiny envisioned under the African Union's Agenda 2063. Moving beyond rhetoric to programs that increase equity will allow institutions to play a central role in the realization of country ownership.

CONCLUSIONS

The committee concludes that a key aspect of effective institutions is metrics of self-assessment to enable learning from mistakes and successes. Successful institutions are measured by their ability to create an enabling environment for the capture of governance, technology, monetary, and resource capital. A sense of trust among the state, the private sector, and citizens is a necessary precondition for investment risks that must be taken in pursuit of an owned development agenda. African public institutions today do not have optimal systems in place for evaluation and for continuous and incremental learning from ongoing African initiatives. The result is an environment of distrust in which short-term return on investment is maximized at the expense of a long-term and inclusive vision of development.

RECOMMENDATIONS

- Institutions should define their primary role as the builders of trust among different stakeholders in society.
- Institutions should attract capital and enable collaboration among different levels of society to achieve development goals.
- African governments should invest in systems whereby institutions are able to evaluate, reflect on, and incrementally learn from their past experiences. These systems are based on increased capacity of employees.
- African governments should invest heavily in the skills, training, and knowledge of public-sector employees to increase institutional effectiveness.

5.5.2 Private Institutions

For more than a decade, small and medium-sized enterprises have been identified as a key missing link in Africa's development agenda. The importance of these enterprises is not limited to African countries; they are acknowledged as key economic players in both developed and developing nations (Beyene, 2002). Taking Ghana as an example, it is estimated that small and medium-sized enterprises account for 70 percent of the country's GDP and 92 percent of its businesses (Gatt, 2012). They encompass every type of business, from bars, restaurants, and fast-food operations; to leather and textile manufacturing businesses; to woodworking and metalworking enterprises, repair shops, pharmacies, retailers, and barbers (Nkuah et al., 2013). Similar to the situation in Ghana, small and medium-sized enterprises make up 92 percent of formalized businesses in South Africa and 70 percent of the Nigerian manufacturing sector (Gatt, 2012).

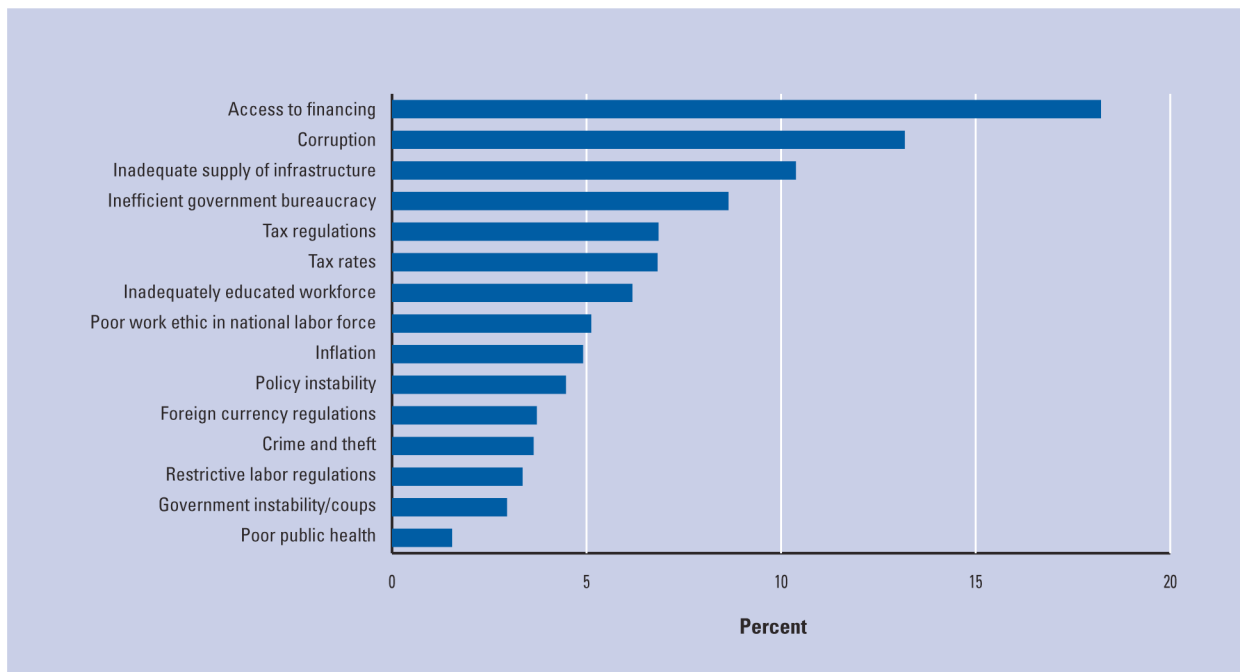
The definition of small and medium-sized enterprises varies widely across countries, and can include everything from fragile zero-growth micro firms employing just a couple of people to fast-growing companies employing up to 250 individuals (Fjose et al., 2010). In general, the African business sector is characterized by a great number of micro firms operating alongside large firms. Even in South Africa, with its robust private sector, micro and very small enterprises provide 55 percent of all employment and 22 percent of GDP, while large firms account for 64 percent of GDP (Kauffmann, 2005). The picture drawn by these statistics is one in which large businesses have the capacity, resources, and international contacts to thrive, while small and medium-sized enterprises remain limited in size to avoid risk (Kauffmann, 2005).

The key developmental benefit of small and medium-sized enterprises, as with agriculture, is their ability to generate employment. Estimates place the average employment by such enterprises

in African countries at as high as 50 percent (Abor and Quartey, 2010). In some sectors, that percentage is much higher; for example, small and medium-sized enterprises generate more than 85 percent of manufacturing employment in Ghana (Abor and Quartey, 2010). Providing these firms with the infrastructure, both physical and financial, necessary for growth holds enormous promise for stimulating broad employment across the manufacturing, service, and agriculture sectors (Fjose et al., 2010).

Economists have developed a strong theoretical rationale for supporting the development of small and medium-sized enterprises. Evidence from around the globe points to the importance of these enterprises in driving growth once incomes have begun to rise. In other words, if a country succeeds in establishing the foundations of development and averages incomes start to increase, the role of small and medium-sized enterprises in perpetuating and distributing that growth throughout the economy becomes increasingly important (Fjose et al., 2010). A number of mechanisms account for this pattern. As incomes increase, both household and business demands for services such as transportation, utilities, trade, personal services, and business services increase. Many of these demands are met through the entrepreneurial effort of small and medium-sized enterprises. Furthermore, a growing economy incentivizes such enterprises to grow beyond the informal sector because of increased potential in wider regional markets (Fjose et al., 2010). If investment in agricultural productivity raises incomes and initiates broad-based growth, small and medium-sized enterprises promise to capitalize on those opportunities and drive the economy toward industrialization, diversity, and prosperity.

Despite the growth opportunities of small and medium-sized enterprises, their potential remains unrealized in many African countries. The past decade has seen a measurable increase in such enterprises across the African continent. According to the Global Entrepreneurship Monitor (GEM), for example, in 2010 in Ghana and Uganda, 40 percent and 27 percent of entrepreneurs, respectively, were established business owners. Compared with China and Brazil, both with registered rates below 15 percent, these figures are encouraging (Herrington and Kelley, 2012). Nevertheless, while data suggest that many Africans are successfully opening businesses, the growth potential of these small and medium-sized enterprises often is limited. Some of the key identified limitations are shown in Figure 10. When asked if they expected to be employing



Source: World Economic Forum Executive Opinion Survey, 2010.

FIGURE 10 | Most problematic limitations on doing business in sub-Saharan Africa (percent of respondents).
SOURCE: WEF, 2011

more than five people within 5 years, 80 percent of respondents in Ghana, Uganda, and Zambia said they did not. Respondents in startups from Europe and North America had much higher expectations for their businesses' growth (Herrington and Kelley, 2012). These patterns point to deficiencies in policy, infrastructure, and financial support provided to small and medium-sized enterprises in African countries. Without the appropriate environment of trust and support, owners of these enterprises often are unwilling to risk the capital investments that would allow them to participate in a development agenda.

Access to adequate capital is a factor constraining small and medium-sized enterprises in every country, but the problem is most acute in developing nations (Nkuahet al., 2013). A report by the Association of Ghana Industries (AGI) cites access to credit as the primary limitation on the ability of such enterprises to restructure, innovate, and grow (AGI, 2010). Demanding requirements and bureaucratic lending procedures of major financial systems often constrain small and medium-sized enterprises to borrowing from traditional money lenders, friends, or relatives (Nkuahet al., 2013). Furthermore, access to credit sometimes is split along gender lines. A study in the Wa municipality of Ghana found that women entrepreneurs had less access to bank capital because of traditional practices, such as land tenure, that affected their borrowing ability (Nkuahet al., 2013).

Despite these cultural and logistical barriers to credit access, there are solutions. Small-business associations may play a crucial role in helping new businesses legally register, craft appropriate business plans, accurately record transactions, and manage their costs (Nkuahet al., 2013; Ree, 2003). At the other end of the spectrum, financial institutions may consider partnering with small and medium-sized enterprises to finance their operation and expansion in exchange for an interest in the venture. Although partnership arrangements imply terminating the sole proprietorship of small and medium-sized enterprises, it is only for a short period of time during which the financial institution provides the resources and managerial advice necessary to achieve sustainable growth (Nkuahet al., 2013). The actions that owners of these enterprises can take to improve their business prospects represent the confidence and initiative that define an ownership agenda, while the partnerships that can be instigated by financial institutions represent a practical solution to Agenda 2063's vision of Africans working together toward common prosperity.

However, small and medium-sized enterprises face other formidable challenges besides access to credit. For example, small-business owners in the agriculture sector are unwilling to make necessary investments (higher-yield seeds, irrigation systems, mechanical equipment, fertilizers) to increase productivity because the risks are too high. In many instances, farmers lack secure land access and tenure, access to transportation and power infrastructure, or stable and predictable prices. The risk of innovating is too high, and farmers therefore choose to remain at a subsistence level (NEPAD, 2013).

A variety of guarantee and insurance mechanisms exist to cover these risks; however, many financial institutions lack the capacity to evaluate the viability of small and medium-sized enterprises accurately, and therefore refuse them insurance coverage (Fjose et al., 2010). In addition to the lack of physical infrastructure and appropriate financial instruments, small and medium-sized enterprises in many countries face excessive bureaucratic regulations and red tape. Of the 30 lowest-ranked countries in The World Bank's Ease of Doing Business rankings, 21 are African (Economy Rankings, n.d.). In many African countries, the business environment remains one of considerable difficulty for those attempting to establish and operate small and medium-sized enterprises. For example, overly complicated taxation systems increase the cost of compliance for such enterprises. And when the benefits of public road and power infrastructure do not materialize, small and medium-sized enterprises are incentivized to remain in the informal sector to avoid taxation that appears to have no concrete benefit (Beyene, 2002).

However, this discouraging situation should not obscure the fact that in 2013, Africa was the region that made the greatest progress in eliminating bureaucratic obstacles to the operation of small and medium-sized enterprises (The World Bank, 2013). Furthermore, there are ample examples of simplified taxation schemes that encourage such enterprises to enter the formal marketplace. Taxation schemes for these enterprises are unlikely to bring substantial revenue to governments; therefore, a successful taxation system should focus simply on bringing them into

the tax net (Stern and Barbour, 2005). To overcome compliance costs, in terms of both time and money, tax authorities can offer training in accounting methods and capacity building for owners of these enterprises (Stern and Barbour, 2005). Furthermore, a best-practice tax regime features graduated levels of rates and expected compliance. As small and medium-sized enterprises grow in capacity and size, more sophisticated regimes (including VAT or rebates) may be offered (Stern and Barbour, 2005). Most important, it must be clear to owners of these enterprises that they will receive benefits (in capacity building, legal protection, and access to more capital) that at least neutralize the financial and time commitments of tax compliance (Stern and Barbour, 2005).

For a successful country-owned development agenda to extend to all levels of society, the engagement of small and medium-sized enterprises in larger development goals is essential. Currently, many such enterprises are more appropriately recognized as survival-level businesses with only one or two family members as employees. These are often highly undifferentiated, low-margin businesses focused more on meeting the immediate needs of owners than on alignment with longer-term development goals (Herrington and Kelley, 2012). Of necessity, these businesses focus on the greatest possible short-term output, thereby undermining a longer-term development vision. To incorporate the goals of these business owners into the development agenda, thereby capturing their broader economic potential, an environment of trust must be cultivated among small and medium-sized enterprises, government agencies, and financial institutions. The provision of accessible and appropriate infrastructure, financial capital, and a simplified tax regime are routes to building this necessary environment of trust.

The potential of small and medium-sized enterprises is not a mystery. To overcome issues of financial and capacity deficits, the AfDB sponsored the creation of the African Guarantee Fund (AGF). Launched in June 2012, the AGF has as its central aim using market-friendly approaches to increase access to financial instruments for these enterprises. Estimates place the number of African small and medium-sized enterprises with access to a line of credit at one out of five (AfDB, n.d.). To increase this fraction, the AGF offers partial credit guarantees to financial institutions funding such enterprises, and provides capacity-building initiatives for financial institutions so they can more accurately evaluate the viability of a variety of these enterprises (AfDB, n.d.). Currently, assistance to small and medium-sized enterprises remains highly fragmented among various donors and development finance institutions (DFIs), each running different programs in an uncoordinated manner. A subsidiary goal of the AGF is to pool resources and regionalize support for small and medium-sized enterprises to avoid duplications and inefficiencies. In the words of Felix A. Bikpo, the AGF's CEO, "There is a terrible inefficiency in the way that efforts are currently being dealt with by DFIs and National and Regional Development Banks. Instead of acting alone we all need to come together in financial structures and leverage each other in a prudent way and ultimately ensure a flow of capital to needed sectors. This is especially true in infrastructure and equally so in the [small and medium-sized enterprise] economy" (AGF, 2012). Rephrased in the terms of this report, Bikpo calls for a commonly owned development agenda among the various institutions working to leverage small and medium-sized enterprises for broad development. The AGF provides one example of a regional strategy for uniting different levels of society under a fully owned development agenda.

CONCLUSIONS

The committee concludes that private-sector institutions, particularly in the form of small and medium-sized enterprises, are now crucial to advancing sustainable development objectives. However, many African small and medium-sized enterprises are constrained by a lack of access to capital, or low capacity. Innovative associations and partnerships to overcome these constraints exist; however, they are currently underutilized. The primary route to stable institutions, both public and private, is increased capacity, realized through transparency, accountability, and equitable access to resources.

RECOMMENDATIONS

- African governments should invest in private sector institutions through arms-length interventions that increase the availability of credit and infrastructure for small and medium-sized enterprises.
- Governments should strive for the equitable and effective application of tax revenue, in the form of services and infrastructure, to engender the necessary sense of trust between the private sector and government.
- African small and medium-sized enterprise owners should seek out opportunities for capital access and capacity-building partnerships.

MANAGING STRATEGIC RISKS

The process of development is fraught with risk. Acknowledgment of this risk and alignment of risk reduction strategies with larger development goals can increase the probability of project success. In many cases, policies to increase ownership have the dual benefit of decreasing risk. The greatest threats to African development efforts include the impacts of climate change, commodity price fluctuations, and resource dependence (APP, 2013; ERA, 2013; MIF, 2013). Ownership of the development agenda will include an assessment of these risks and taking appropriate measures to diminish them.

A core feature of the new SDGs will likely be environmental goals to mitigate both local and global impacts. The initial proposal submitted to the United Nations by the High-Level Panel of Eminent Persons recommended incorporating the goals of securing sustainable energy and managing natural resources and assets sustainably (Evans and Steven, 2013). Despite Africa's limited historical contribution to greenhouse gas emissions, the continent is likely to experience extensive risks associated with climate change. Warming temperatures, drought, and extreme weather events are predicted to contribute increasingly to degradation of water resources, reduced crop productivity, and changes in disease distribution (Summary for Policy Makers, 2014). Broad-based economic growth may help counteract some of these risks, such as by increasing the proliferation of water treatment systems and irrigation. However, a key challenge to tackling these risks is the need for increased institutional capacity. The mitigation of climate change risks will involve extensive societal coordination, and in the event of a natural disaster, domestic institutions must be able to respond quickly and efficiently (Summary for Policy Makers, 2014). Therefore, a shared sense of ownership can contribute to mitigating climate change risks by building institutional capacity.

As discussed earlier, economic development projects in the extractive sector, agriculture, and manufacturing all produce substantial environmental degradation. Historically, African governments have failed to adequately protect communities and ecologies from the harmful effects of these activities (Twerefou, 2009). After agriculture, mining is believed to be the second greatest cause of environmental degradation in Africa (Twerefou, 2009). All stages of the mineral extraction process produce waste and toxic by-products. For example, gases released from burning coal for mining in Mufulira in Kitwe, a copper mining region of Zambia, contain so much sulphur dioxide that the area now barely supports vegetation growth (Twerefou, 2009). Adequately addressing environmental impacts is necessary to maintain the legitimacy of a policy of economic growth and structural transformation.

Beyond environmental impacts, industrial and agricultural activities often are associated with a variety of social problems. Pollution of air, land, and water systems is a significant public health concern. For example, in gold mining communities (especially those with artisanal operations), mercury used in the extraction process routinely ends up in the environment, posing a serious health risk (Twerefou, 2009). In addition, the lifestyle of communities proximate to industrial operations often is interrupted by road construction, land tenure conflicts, river diversion, and large influxes of foreign workers (MAD, 2011). To avoid undermining the goal of country ownership, acknowledgment and understanding of these inherent risks must lie at the heart of policies designed to stimulate structural transformation.

Environmental considerations are now given much greater weight than was the case two decades ago (MAD, 2011). Frameworks for incorporating environmental and social costs into the evaluation of mining projects have evolved extensively throughout the world. The challenge, however, is that applying these frameworks to the African context will require specialized knowledge, skills, and technology (MAD, 2011). The fundamental problem, then, is one of capacity. To redirect natural resource wealth to human development responsibly and sustainably, African countries need to invest in capacity-building initiatives. However, the economic structures required to finance such initiatives are expected to accrue from revenues generated by natural resource extraction. Achieving a careful balance between resource extraction and capacity investment priorities poses a crucial challenge for African governments in the post-2015 era.

Finally, a major risk for resource-rich African countries is the dual concerns of resource dependency and commodity price fluctuations. The goal of expanding and diversifying economic activity will necessarily integrate Africa more seamlessly into world markets. Globalization in this sense is a double-edged sword. While integration will provide opportunities for growth, innovation, employment, and ultimately human development, it also will leave many African economies at the mercy of commodity price fluctuations that are beyond national control (APP, 2013). African countries are consistently ranked at the top of resource concentration indices. In more than half of African countries, the top three products represent more than 50 percent of total exports; for a quarter of countries, this share rises to 80 percent or more. In most cases, these top products are either raw resource exports from extractive industries or cash crops from the agriculture sector (ERA, 2013; NEPAD, 2013). The risk of this resource concentration lies in price fluctuations. When commodities inevitably drop in price, governments that rely on taxation of the extractive industry for their budgets must slash spending, thereby hindering the pursuit of development goals and damaging trust and a sense of ownership among their citizens.

Governments can pursue two policy streams to address the risks posed by resource dependence and commodity price fluctuation. First, responsible management of resource revenues in the first place is essential. Historically, many countries ramped up government spending along with rising resource prices. Although this generated immediate development payoffs, when resource prices slumped, governments chose to pursue loans to maintain unsustainable spending levels. Many loans from the IMF and The World Bank came with structural adjustment requirements that removed development ownership from country hands (ERA, 2013). Today, many governments have created stabilization funds, nonrenewable resource funds, or future generation funds to address this risk. The essential feature of all these funds is that they set aside revenue for future use; whether that be for stabilization in case of emergency or future development objectives is up to country leaders. The primary challenge in establishing and maintaining these funds is the implementation of transparent accounting practices to avoid corruption (MAD, 2011).

The second policy stream involves extension of the resource economy into broad-based economic growth. A more diversified economy is by definition more stable than a resource-dependent economy. In this case, the objectives of increasing country ownership and avoiding the risk of price fluctuations align. By investing in policies designed to spur structural transformation, and thereby diversification, governments increase ownership by drawing more citizens into the formal economy and avoid the risks associated with resource dependence.

OVERARCHING CONCLUSION

Africa's natural and human resources hold the potential for the continent's own development. The past half-century has seen many initiatives aimed at accessing this potential and increasing human well-being. Although some of these initiatives have proven successful, low levels of country ownership have prevented the maximization of development.

Ownership is a concept that originally emerged from the failure of international aid to create sustainable development outcomes. Since then, the concept has expanded to encompass more than government priority setting. Consistent with the African Union's Agenda 2063, ownership indicates the participation of every sector of society toward a unified goal of development. At its root, ownership of the development agenda implies a psychological readjustment beginning with individuals and extending up to community structures and institutions. Instead of waiting for development to happen, an ownership mindset instigates and catalyzes development.



OVERARCHING RECOMMENDATION

Based on the above conclusion, the committee recommends that the necessary mindset shift occur at every level of society—from unemployed youth, women working in agriculture, and informal miners to country leaders. While the purpose of this report has been to highlight the development capital available to every African citizen, the continent’s leaders are in a unique position to cultivate an enabling environment within which to realize Africa’s full development potential. Therefore, the committee recommends that leaders provide the necessary leadership to achieve the desired ownership that will lead to the implementation and achievement of Africa’s development agenda.



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