

ENVISIONING NEW PARTNERSHIPS FOR AFRICA'S FUTURE: MAKING GLOBAL GOVERNANCE WORK IN A POST-2015 WORLD

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_ ACRONYMS

ANC	African National Congress, South Africa
AU	African Union
BIS	Bank for International Settlements
BITs	Bilateral Investment Treaties
BRIC	Brazil, Russia, India, China
BRICS	Brazil, Russia, India, China, South Africa
CDA	Citizen Development Assistance
DAC	Development Assistance Committee, Development Cooperation Directorate, OECD
DCF	United Nations Development Cooperation Forum
EAC	East African Community
ECOSOC	Economic and Social Council
ECOWAS	Economic Community of West African States
EITI	Extractive Industries Transparency Initiative
FDI	Foreign Direct Investment
FSF	Financial Stability Forum
GDP	Gross Domestic Product
GEC	Global Economic Council
GNI	Gross National Income
IFC	International Financial Corporation, World Bank Group
IMF	International Monetary Fund
MDGs	Millennium Development Goals
MIGA	Multilateral Investment Guarantee Agency, World Bank Group
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
SADC	Southern African Development Community
SWFs	Sovereign Wealth Funds
UN	United Nations
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
WEF	World Economic Forum
WTO	World Trade Organization

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— ABOUT THE REPORT

This report was produced within the framework of the Global Governance 2022 program, organized by the Global Public Policy Institute in Berlin, in collaboration with partner institutions in the United States (The Brookings Institution and Princeton University), China (Tsinghua University and Fudan University), and Germany (Hertie School of Governance).

GG2022 brought together 24 young professionals from the US, China and Germany for three meetings, one each in Berlin (26-30 August 2012), Beijing (7-11 January 2013) and Washington, DC (5-9 May 2013). During these meetings, the GG2022 fellows jointly discussed challenges of global governance in the year 2022 and beyond, with a particular focus on three areas: cyber security, energy security, and development.

This report summarizes the work of the GG2022 working group on global development governance. To explore possible futures in global development, the working group used a scenario planning methodology with techniques developed extensively in the field of future studies. The diverse nationalities, backgrounds, and expertise of working group members contributed crucial assets for devising national strategies and solutions.

During the three sessions, the working group also met with leading academic experts and policy-makers in the field of international development from all three countries. We are grateful to all these experts for their valuable input:

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EXECUTIVE SUMMARY

Who sets the post-2015 development agenda? To what extent does Africa's future depend on China? What role does global governance play in encouraging development outcomes?

Although conclusive answers are beyond the scope of our report, these big questions motivated us, as a working group of young professionals from China, Germany, and the US, to imagine what the world could look like in 2022 – 10 years from when our working group first met in 2012.

Over the past year, we have worked through a scenario methodology, a process that has been developed for strategic planning in both governments and corporations. While such a method cannot predict the future, it can help a group break out of linear, trend-based thinking to instead create a wider set of plausible and internally consistent futures, to play out certain scenes in great detail, and to trigger potentially innovative thought experiments, all without abandoning the broader picture of how current influential factors fit together. The process is not meant to provide conclusions. Rather, it should stimulate further discussion about important scenarios that may be off the beaten path of historical trend analysis, and about how these scenarios can inform our discussions of current policy options.

As we combined our collective insights about the future of global development governance, we narrowed our focus toward three key questions:

- › Which will be the key sources of development finance in 2022?
- › Who will take action to shape this future, with what incentives?
- › What actions can diverse stakeholders take today to improve outcomes and mitigate risks?

To structure our analysis, we focused on financial flows as well as the associated institutions, norms, goals, and multi-sector relationships in 2022.

To make these questions more tangible, we concentrated on Sub-Saharan Africa, as it has been a primary focus of the development aid agenda and is also a dynamic region likely to experience drastic changes over the next decade.

This report outlines the three main scenarios developed by the working group as well as key insights and policy recommendations that emerge from them. It is important to note that while all scenarios are illustrative rather than predictive, they use specific names and numbers to make the visualization and discussions more vivid.

We developed three scenarios through several phases. First, we created a list of factors that could affect the future of global development governance, ranging from the relative economic positions of each region to technological innovations and paradigm shifts in institutional culture (see Appendix 1 for the full list of factors). Second, narrowing to a shortlist of critical factors, we defined how each factor influenced and was influenced by every other factor. Third, using the matrix of relationships among factors, we calculated all possible factor combinations that could occur simultaneously, and these groups of internally consistent factor definitions became the templates for our scenarios. Fourth, we created a detailed storyline and timeline of how each scenario could unfold over the next decade, outlining the resulting threats and opportunities for stakeholders. Finally, looking backwards from 2022, we defined strategies to prepare for an uncertain future, asking what various stakeholders could do to mitigate the threats and take advantage of the opportunities that our three out-of-the-box scenarios had brought to light. We drafted policy recommendations based on those strategies that would be most effective across all scenarios. For more details about the process of scenario construction, see Appendix 1: Scenario Methodology.

Three Possible Futures for Development Governance

Scenario 1

"Africa Left Behind" features outdated global governance. There has been little progress either on a compelling post-2015 development agenda or towards more development-friendly global governance of climate change or trade. Ineffective domestic governance in many Sub-Saharan African states has been compounded by corruption, conflict, and vulnerability to natural disasters. Social, political and economic tensions between the US, EU, China, and other rapidly

growing emerging economies undermine development cooperation. The outcome is a situation in which African countries cannot climb up the value chain, remain restricted to the export of raw materials, and exhibit increasing levels of economic inequality and political polarization. Developing countries in Southeast Asia, instead of Africa, benefit from the spillovers of China's rise. Contrary to popular expectations, our factor analysis produced a scenario in which rapid economic growth in China does not translate into inclusive economic growth in Sub-Saharan Africa.

Scenario 2

"Cut-Throat Competition" presents a scenario in which global development governance has unraveled. Traditional development assistance is replaced by corporate and philanthropic funders, who make use of innovative – but uncoordinated – financing mechanisms, such as peer-to-peer lending. At the same time, there has been a lack of progress in any other realm of global governance, such as climate. Economic hardship in former

donor countries reduces their abilities to tackle global development challenges, weakening bilateral and multilateral development institutions. As a result of this more fragmented and private sector driven approach, only countries with already strong investment climates can compete effectively for finance. Competition creates a sharp division of African states into "winners" and "losers." The winners become increasingly independent from traditional aid and integrated into partnerships for growth, whereas the losers are more marginalized and excluded.

Scenario 3

"Africa Rising" is characterized by a new, more flexible system of global development governance. This scenario has resulted from Africa's growing attractiveness to private investors, partly due to greater political stability under a new generation of African leaders, combined with world-class infrastructure improvements. As a consequence, development finance has shifted away

from Official Development Assistance (ODA) toward leaner bilateral aid agencies (including from emerging donor states), making way for private sector and philanthropic investments and intra-African regional sources. More diverse financial sources reinforce greater policy freedom for African states. Although traditional ODA accounts for only a small portion of finance to Africa in 2022, it has played a positive role over the decade in reducing aid dependence. Regional integration and cooperation increases among African states.

Insights

After constructing three alternative, internally consistent pictures and histories of the future, we consider what these scenarios suggest about the world today. The scenario building process supports several key findings:

- › **African development rests on African solutions.** The development agendas of African states should ultimately be defined by Africans themselves, and good governance in Sub-Saharan African states is a critical factor to make that possible. Sustainable growth requires skilled leadership, not just in the national executive but across the spectrum of civil society organizations, opposition political parties, technical or academic researchers, and private businesses, all of whom can hold governing bodies and each other accountable for development results.
- › **Economic reforms alone are insufficient.** State stability, capacity, and effectiveness are also necessary for long-term African development. In addition to African domestic leadership, the US, EU, and traditional donor institutions must actively make way for African decision-making. While first steps in this direction were taken with the High Level Forums on Aid Effectiveness, African regional cooperation or partnership with other emerging regions could help smaller developing countries to meet international bodies on a more equal footing.
- › **China's development will not guarantee Africa's success.** Contrary to what many trend analyses today suggest, China could grow without bringing African economies along if various internal and external factors keep African states at the lowest end of the value-added chain, with persistently uncompetitive industrial capacities.
- › **Policy coherence beyond aid is crucial for development.** The post-2015 development agenda should take global governance seriously, on issues ranging from trade to climate, energy policy to cyber security. Global development governance is linked to the governance of other policy areas in which all countries have a stake.
- › **Infrastructure improvements in Africa are critical.** Although the need for infrastructure investment is not a new insight, "leapfrogging" infrastructure was a key factor distinguishing our scenarios, particularly in telecommunications and transportation. Both new investment and maintenance of digital and traditional infrastructure remain essential for supporting private investment and providing public services.

Policy Recommendations

Based on the insights drawn from the three 2022 scenarios, we formulate three sets of recommendations for today's policymakers, including examples of concrete actions for specific stakeholders to take:

Strengthen partnerships for development: Shift the paradigm of development towards mutually beneficial partnerships on concrete issues in order to deepen linkages between African states and between African states and non-traditional financial sources. For example:

- › African Ministries of Health can collaborate on disease surveillance and public health infrastructure.
- › Philanthropists and African Ministries of Education can establish within-African education exchanges.
- › The African Union (AU) and an emerging Brazil, Russia, India, China, and South Africa (BRICS) development bank can cooperate on cross-border infrastructure projects, particularly to facilitate intra-African trade.
- › African think tanks or locally organized discussion forums can host quarterly workshops to enhance citizen participation and domestic political accountability for development spending.
- › Entrepreneurs and individuals can strengthen links between diaspora and the continent, for instance through expansion of tools like an "African LinkedIn."

Reform global institutions: Promote policy coherence. For example:

- › The G20 can include a Global Economic Council¹ with representation from Sub-Saharan African states to include development goals in the context of broader economic governance.
- › The AU can set the agenda for the next UN Development Cooperation Forum (DCF) to create an inclusive space for emerging economies, traditional donors, private sector investors, and other stakeholders.
- › Traditional donors can shift their primary forum for coordination from the OECD Development Assistance Committee (DAC) to a more flexible and inclusive coordination mechanism, perhaps building on the UN Economic and Social Council (ECOSOC) Development Cooperation Forum.
- › OECD countries can enact coherent development-friendly policies consistent across other policy spheres such as agriculture and trade.
- › The World Bank and the International Monetary Fund (IMF) can make both symbolic and substantive moves toward greater representation of emerging donors and developing countries, including instituting more meritocratic rules for presidential selection.
- › Future development agendas can be "climate-friendly," for instance by including indicators of vulnerability and resilience, to support communities to adapt to climate change.

¹ United Nations, "Recommendations by the Commission of Experts of the President of the General Assembly on reforms of the international monetary and financial system," 19 March 2009, p. 12. <http://www.un.org/ga/president/63/letters/recommendationExperts200309.pdf>.

Change the development finance landscape. Promote innovative financing mechanisms.

For example:

- › Entrepreneurs can create citizen-to-citizen cooperative investment schemes, an expansion of existing micro-finance networks that already provide international micro-loans, using internet and mobile phone technology to reduce transaction costs. We coin the term “Citizen Development Assistance” (CDA) for this expanded platform.
- › African states can foster new business models based on the “Benefit Corporations” legislation already enacted in the United States, enforcing positive social and environmental impact alongside a financial return.
- › Traditional donors can redefine ODA to reflect the broader reality of financial instruments for development. For instance, further emphasizing guarantees and insurance in the calculation of states’ development contributions can improve the current net-flow based reporting system.
- › As the scope of development finance options grows, think tanks and multilateral development institutions can provide training on new financing models for African leaders and potential investors.
- › African states with the petroleum or other resources to establish sovereign wealth funds can build the institutional frameworks necessary to protect them from negative political interference and ensure that they become engines of national and regional growth.

_ INTRODUCTION

What is Global Development Governance Today?

We understand global development governance as a comprehensive agenda that goes far beyond the conventional focus on aid. It is a dynamic process in which stakeholders debate over the detailed mechanisms and incentives required to fulfill concrete development needs. It encompasses governance structures, rules, norms, financial flows, political and cross-sector relationships, and processes.

With this working definition of global development governance, we focus our analysis on how to facilitate dialogue between key stakeholders, improve

incentives for concrete action, and find innovative ways for problem solving. Because global development governance is not simply about aid, it is not a prescription for specific institutional forms. In the context of this paper, we consider development goals to encompass not only income poverty reduction but also social and environmental well-being.

Structure of the Report

The report describes each of three illustrative scenarios meant to spark further debate about the future of global development governance. Following the three scenarios, we present strategic implications derived from the scenarios – that is, the threats and opportunities they highlight as well as general strategies to mitigate the threats and take advantage of the opportunities. This is followed by policy recommendations, which amount to specific actions for stakeholders to take today, based on the strategic implications of an uncertain future. The appendices provide further detail about the methodology used in constructing scenarios and deriving insights and recommenda-

tions, as well as a picture of global development governance today to serve as a reference point for our visions of the future.

Table 1 outlines the key factors shaping each of the scenarios described in this report and shows the main ways in which the three scenarios differ from one another.

TABLE 1: SCENARIO FRAMEWORKS

CRUCIAL FACTOR	FACTOR'S OUTCOME IN SCENARIO 1	FACTOR'S OUTCOME IN SCENARIO 2	FACTOR'S OUTCOME IN SCENARIO 3
EU political commitment to development	EU prioritizes other countries' development as well as its own	EU prioritizes other countries' development as well as its own	EU prioritizes other countries' development as well as its own
US political commitment to development	US prioritizes other countries' development as well as its own	US cuts all nonmilitary official development assistance	US prioritizes other countries' development as well as its own
Quantity of private (for profit) investment flows	Bottom billion countries are not attractive to foreign investment	Bottom billion countries are more attractive to foreign capital as other regions	Bottom billion countries are more attractive to foreign capital than other regions
Level of economic growth in China	High income status	Middle income status	Middle income status
Level of economic growth in Africa	Low income status	Middle income status	Middle income status
Aid Dependence	Aid remains essential to the functioning of bottom billion states	Aid does not remain essential to the functioning of bottom billion states	Aid does not remain essential to the functioning of bottom billion states
Quality of infrastructure in developing countries (especially ports)	Dilapidated/poorly managed infrastructure	Leapfrogged infrastructure	Leapfrogged infrastructure
War/fragility continuum	Many/large strategically important (to development finance sources) fragile/failed states	Many/large strategically important (to development finance sources) fragile/failed states	Few/no strategically important (to development finance sources) failed/fragile states
State-building/state capacity/state stability and effectiveness	Majority of states cannot carry out and enforce policies	Majority of states can carry out and enforce policies effectively	Majority of states can carry out and enforce policies effectively
Innovation in financial instruments	Innovative mechanisms (by 2012 standards) not widely used	Innovative mechanisms (Peer to peer lending/direct finance mechanisms) are widely used	Innovative mechanisms (Peer to peer lending/direct finance mechanisms) are widely used
Private philanthropy/CSR/social enterprise/corporations and shared value	Status quo	Paradigm shift in corporate culture and private philanthropy to contribute to development goals	Paradigm shift in corporate culture and private philanthropy to contribute to development goals
Policy space/political autonomy of developing countries	Cannot dictate own policies	Bottom billion countries can define own policies/goals	Bottom billion countries can define own policies/goals
Bottom billion relative preference for ODA	ODA viewed as more attractive than other sources	ODA viewed as less attractive	ODA viewed as less attractive
Natural disasters in bottom billion states	Multiple unpredicted catastrophic events have occurred	Multiple unpredicted catastrophic events have occurred	Multiple unpredicted catastrophic events have occurred

_ SCENARIO 1: AFRICA LEFT BEHIND

A Picture of the Future with Outdated Global Governance

Today, in 2022, Africa has been left behind. China's growth into a high-income country has not meant transformative change for Africa, as once predicted. Over the past decade, there has been no progress towards global governance structures that facilitate human and social development indicators. For

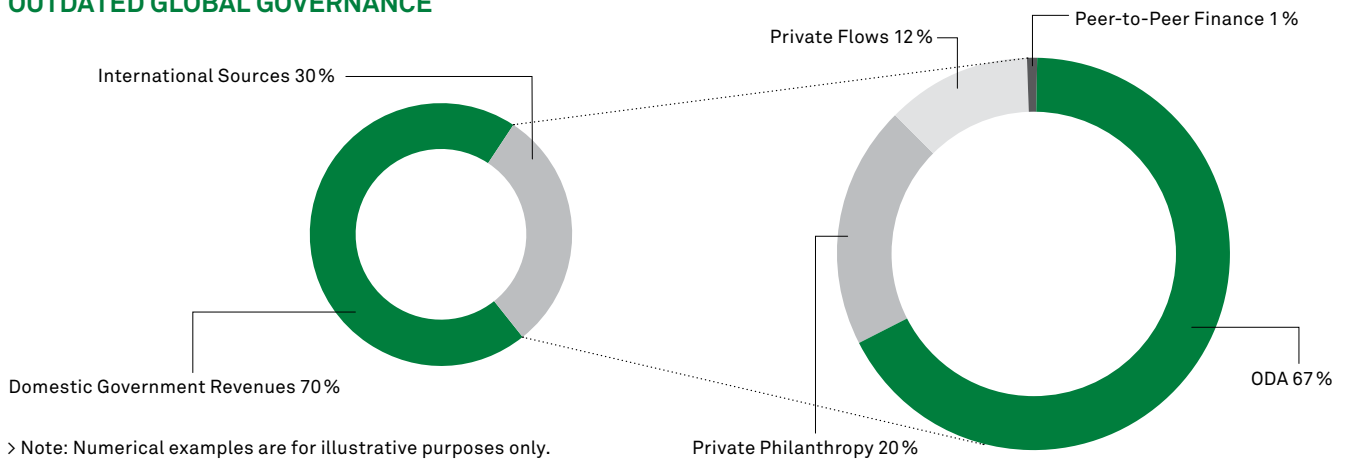
instance, the international community as a whole has failed to agree on a global climate deal, the Doha Round of trade negotiations, or a post-2015 development agenda. The US and EU continue to provide the same levels of traditional development aid, but aid effectiveness has not improved.

Primary Channels of Development Finance

In 2022, the primary sources of development finance are similar to those a decade earlier. The traditional donors still provide the majority of development funds to low-income countries, especially those in Africa, through bilateral aid agencies and multilateral finance institutions as well as burgeoning vertical funds (thematically earmarked funding such as the Global Environment Fund as opposed to country-based horizontal funding). The uses of donor funds are split across many different types of development objectives, without any shared strategic focus among donors or between donors and recipients. Global governance of development finance institutions has not changed significantly to adapt to changing global economic conditions; no space has been created for middle income countries like the BRIC countries to take on leadership roles in multilateral finance institutions, no further progress has been made on aid harmonization and other Paris Declaration/Accra Agenda commitments, and nontraditional sources of development finance such as multinational corporations and private philanthropies have not been brought together in any effective coordinating mechanisms.

As shown in Figure 1, Official Development Assistance (ODA) from US and European donors remains the main source of development finance, with relatively little funding from foreign direct investment (FDI) or innovative peer-to-peer finance channels. Increased funding from a large number of disparate private philanthropic sources is not coordinated among philanthropies or with traditional donors' spending. The uses of development finance remain scattered and fail to take advantage of the multiplier effects that coordinated investments could have. In addition to being scattered, donor objectives directly conflict in some cases. Donor-led priorities create distortions in "donor darlings," such as a high proportion of health funding going towards HIV/AIDS programs relative to other health concerns, including the growing risk of chronic diseases like diabetes and cancer.

FIGURE 1: 2022 DEVELOPMENT FINANCE SOURCES WITH OUTDATED GLOBAL GOVERNANCE



The hopes that existed in 2012 for increased investment in African development from China, India, Brazil, Indonesia, and other emerging economies have not come to fruition. Instead, those emerging economies turned inward, building strong domestic consumer markets and the production and service industries to serve them, while investing more heavily in value-added production and manufacturing in Southeast Asia and Latin America instead of deepening their ties with Africa beyond resource extraction.

Without adequate private sector investment or regional cooperation, physical infrastructure across the African continent has been mismanaged and deteriorated. The failure to invest in cross-border transportation infrastructure and ports, in particular, further hampered African countries' ability to

attract the investment that once seemed so likely to fuel growth. Similarly, investment in human capacity has failed to improve in the way that many observers once predicted, resulting in a growing number of primary and secondary school graduates who have little possibility for tertiary education or training in information technology and other fields that might make them globally competitive.

In many Sub-Saharan African countries, central banks still lack the necessary capacity and authority to guide macroeconomic trends. Financial sectors are thin and have difficulty mobilizing domestic savings and attracting foreign private capital. Banking institutions are fragile. Intermediation is inadequate.

Political and Economic Situation of Major Actors

Continued reliance on donor funding and resource extraction has perpetuated systems in which Sub-Saharan African governments are insulated from the demands of domestic constituents because they do not need to mobilize broad-based domestic resources in order to fund service delivery. The fragmentation of both donor priorities and donor-recipient relationships has also made it more difficult to develop strong cooperation at a regional

level. In turn, the persistence of corruption, inefficiency, and instability in some African governments has made it more difficult for those countries to raise external funds from private investors. For example, South Africa was seen as one of the strongest emerging economies in 2012 but has slid backwards in its ability to attract competitive foreign investment, due to the inability of the dominant party African National Congress (ANC) to reduce

high-profile violence. Moreover, the sustained increase of capital flight from Sub-Saharan African states became obvious, with investors fearing that their success would be plundered due to political instability and corruption; this further eroded the tax base of these countries.

The goal of empowering African civil society, a notion largely defined by donors rather than by local leaders, has brought pros and cons. Certain groups have achieved greater transparency in political processes with the support of donor-led initiatives; for example, thanks to the Extractive Industries Transparency Initiative (EITI), more of the revenues from resource extraction have been re-invested in national development. However, public critiques of government institutions in Sub-Saharan African states have tended to lead more to violent outbursts and attacks than to a balance between effective institutions and public accountability. The increasingly violent and unstable political atmosphere in some countries has, at worst, fueled the ranks of terrorist groups such as Boko Haram in Nigeria.

The global economic situation has not been favorable for African competitiveness. In light of the strong growth of the Chinese economy and low growth rates in the US and EU, there are more and more tensions between these large economies, which undermine cooperation on global challenges like extreme poverty, climate change and financial instability. Economic challenges in the US and European countries, especially low growth, high unemployment, and immense public deficits, have given rise to "development fatigue."

Even worse, African countries failed to capture the potential benefits of investment from the one country with strong growth. Though Chinese demand for African raw materials held steady over the decade, China did not make the kind of value-adding investments that many African leaders had hoped for in local refinement and production capacity, high-quality infrastructure, and job creation. China gradually shifted to an economy driven by domestic consumer needs rather than viewing

African countries as large growth markets for Chinese goods. Countries such as Indonesia and Chile were better positioned than most African countries to develop more balanced relationships with China that moved beyond a resource extraction model.

Although resource-rich hubs such as Angola are net resource exporters, the contribution of resources to gross domestic product (GDP) does not help to develop other parts of the economy or improve human development indicators. Indeed, the domestic private sector does not have the capacity to absorb foreign private investment and translate it into broad-based domestic employment and public service improvements. There are few spillover effects from resource extraction, and countries like Nigeria have failed to reinvest resource revenues in long-term national development priorities like health systems and tertiary education. Bilateral and multilateral aid does nothing to encourage such reinvestment.

Donors continue to maintain control of the industrial policy agenda, focusing on the development of cottage industries in agro-processing, such as cashew nuts and spices. Rising protectionism in the US, EU, and China has increased trade barriers that negatively impact Sub-Saharan Africa, continuing to prevent any major agricultural industries from gaining momentum in Africa. Global trade governance institutions including the World Trade Organization (WTO) are no more responsive to the needs of low income countries than they were in 2012. While donor efforts contribute to some industrialization success stories, these are isolated examples that are too costly to expand or replicate. The lack of widespread success further contributes to "development fatigue," and the links between traditional donors, emerging donors and developing countries are tense.

Meanwhile, immediate economic and security considerations in developed countries prevail over a focus on long-term policymaking. African countries are characterized by increased inequality and polarization by a variety of measures, including income and wealth inequality, polarization along

ethnic and religious lines, and gaps between urban and rural livelihoods. Growing populations have increased urbanization and energy demands, forcing domestic governments to divert their attention from global competitiveness to the logistical management and security concerns of major cities (for example, the population of Lagos is now nearly 20 million people), largely ignoring the admin-

istration of rural areas because of a lack of public sector capacity. In particular, this leaves a financing gap for rural development programs.

Inclusive Green Growth, Sustainability and Risk Resilience of African Countries

By 2022, the world has not achieved inclusive green growth. The global economy and the economies of Sub-Saharan African states have neither become efficient (in their use of natural resources) nor clean (minimizing pollution and environmental impacts). They are still following an unsustainable growth path that generates irreversible environmental damage. The conviction over the decade has been that poor countries in Africa should focus on satisfying basic needs before attending to nature. A global attitude of “growth at all costs” has ignored the many benefits of better environmental performance – clean air and water, solid waste management, resilience to natural disasters – and the fact that it may be impossible or prohibitively expensive to clean up once developing economies have achieved a suitable level of prosperity.

The lack of responsive state institutions and effective domestic or regional risk management has made it difficult for African countries to be resilient in the face of environmental or social crises. Although donors still help to address humanitarian crises, this externally driven support structure has failed to help countries prepare for and mitigate risks. Three main triggers during the decade led to the greatest human development setbacks:

- › First, the resurgence of ethnic tensions in Nigeria in 2014, during the lead up to the 2015 presidential election, disrupted activity in both rural areas and major cities. Increased uncertainty created

not only domestic unrest and business interruptions, but also opportunities for foreign terrorists to strengthen their foothold in the country. In 2016, two major terrorist attacks were carried out in the Sahel by Nigeria-based militants; combined with fighting in Nigeria, the presence of militants scared away the majority of foreign investors in the region and caused many business leaders to flee to the UK or US to escape potential persecution. Even worse than the temporary effects on key sectors like tourism and flower exports that Kenya experienced due to post-election violence in 2008, the effects of violence in Nigeria have lingered through 2022. These setbacks for what was an economic powerhouse just a few years earlier destabilized the West African region and caused global supply chains to shift away from the continent, as multinational companies sought to mitigate the risk of future incidents.

- › Second, torrential rains triggered the Great Floods of 2019, similar but even more extensive than the widespread flood disaster of October 2012. Flood waters left several million people homeless in agricultural areas from Senegal to Cameroon, washing away bridges, houses, and crops. Although international aid agencies and private philanthropists sent millions of dollars for emergency relief, much of it did not reach the flood victims due to either the high overhead costs of aid agencies, corruption, or logistical dif-

difficulties of reaching remote areas with poor infrastructure. Due to poor management, the reconstruction process has been slow, so that hundreds of thousands of people remain in refugee camps in 2022, and there were long-term food shortages due to crop loss. Planning for catastrophic risks had been ignored for several years, when African leaders had little incentive to plan for natural catastrophes due to the unstable political situation and the assumption that foreign donors would always assist with emergencies.

- › Third, the long-term failure to improve health systems and to invest in research and development on diseases affecting the “bottom billion” caused major health risks for Africa, particularly southern Africa, as the effectiveness of anti-malarial and anti-retroviral medications declined.

Doctors and patients used increasingly ineffective drugs for several years while pharmaceutical companies focused more on chronic disease, causing a resurgence of infectious disease threats that were previously thought to be declining. Meanwhile, the long-term donor priority for funding HIV treatment, at the expense of other areas of health, means that despite pharmaceutical companies’ research advances, systematic chronic disease care has been largely ignored during the decade. Time Magazine declared the diabetes and heart disease epidemic in South Africa and Botswana as the “world’s greatest health tragedy of 2020.”

State of Global Governance

The main pillars of multilateral cooperation – forums such as the UN, the WTO, but also the EU – are in crisis and are groaning under the growing burden of their tasks and outmoded structures. These institutions find themselves in the midst of a difficult process of change that is marked by a high degree of mistrust and fragmentation in the international community. The new multi-polar world has given rise to the law of the jungle, where the major advanced and emerging economies act unilaterally to pursue national interest without regard for common global interest. For example, in 2014, the BRICS Development Bank fell apart when China objected to South Africa’s insistence that the bank be based in Africa.

The efforts of the international community to agree on an ambitious post-2015 development agenda failed. Emerging economies were not interested in signing up to such an agenda and traditional donors merely managed to extend the time frame of the old Millennium Development Goals (MDGs). With African leaders overwhelmed by short-term issues, and traditional donors and emerging economies competing for global domi-

nance, there has been a lack of international cooperation on issues affecting the long-term economic and social development of Sub-Saharan Africa. Global development cooperation is therefore not an acute concern and there has been no general move towards a reformed system of global development governance.

The world has changed over the past decade but is stuck with old global governance structures. For example, in 2014, WTO Director General Roberto Azvedo officially declared the Doha Round as “dead” and “evidence of our collective failure.” There has been no progress in improving global ocean governance or in coordinating more effectively on global food security. Attempts to negotiate a global climate agreement in the context of the United Nations Framework Convention on Climate Change (UNFCCC) have also failed. Climate negotiations have continued over the past decade, but aimlessly and on the basis of the same old premises; the absence of a revolution in the field of renewable energy and the failure to use energy efficiently have led to a sharp rise in CO₂ emissions. This has made it impossible for the increase in

global temperature to remain below the 2-degrees goal – with devastating impacts around the world, especially for the poor. Sub-Saharan African states in larger international institutions.

Regional cooperation in Sub-Saharan Africa is limited, and has failed to increase the voice of Sub-Sa-

FIGURE 2: TIMELINE OF THE “AFRICA LEFT BEHIND” SCENARIO



— SCENARIO 2: CUT-THROAT COMPETITION

A Picture of the Future with Outdated Global Governance

In 2022, some Sub-Saharan African states are true success stories, having harnessed new sources of development finance to achieve their social and economic development goals. Unfortunately, other states have fallen behind and are ill-equipped to compete for the resources that might address their significant development challenges.

We are living in a world in which formal institutions of global governance have declined. There has been no progress in the global governance of trade, climate or any other realm important to sustainable development. To the contrary, global governance is increasingly ignored or questioned and has started to fall apart. The global development institutions that Sub-Saharan Africa looked to in 2013 have also unraveled. The World Bank has lost its significance, in part due to the emergence of alternative development banks.

The US and Europe have lost focus on global development issues because they are struggling with internal economic conflicts. The case for foreign assistance has lost its political relevance, and the US, in light of the consequences of the debt crisis, has cut all non-military forms of foreign assistance (including bilateral aid and contributions to multilateral development institutions). Europe, though still positioned as a donor, has lost its economic significance in the global development sector after dropping ODA to a lower level due to domestic economic challenges after the long-lasting Eurozone crisis.

The world is characterized by increased inequality and polarization. As governance institutions have failed to adapt, this has created space for informal forms of governance and finance – forms which are more responsive to market forces than to social and economic development priorities. Corporations, philanthropic organizations and individuals are now investing in those Sub-Saharan African states that have become attractive regions for foreign capital, particularly as China lingers in middle-income status and other regions fail to offer compelling opportunities for growth. These countries have profited from a new generation of leadership, which has improved governance and attracted more investors with industrial policies that explicitly promote mutually beneficial partnerships between foreign and domestic investors and businesses. World-class infrastructure improvements in the most successful African states add to the allure of doing business in Africa. These successful states no longer rely on ODA, preferring to develop on the basis of private investment and assistance from less coordinated donors, including philanthropies, new partnerships and crowd-funding platforms like Kiva.² At the same time, other states are falling further behind: States that are unable to compete successfully for innovative finance cannot access sufficient capital. While some countries pulled ahead, the number of fragile states in Africa has risen over the last decade.

² For more information, see: <http://www.kiva.org/>

Primary Channels of Development Finance

In 2022, global development governance has shifted radically from the formal coordination of aid from bilateral and multilateral donor agencies to recipient governments, to a more dispersed system in which various actors operate in their own interests with limited governance of any kind. Unlike in the “Africa Left Behind” scenario, where outdated development finance and poor performance of African governments led to stagnation, conditions within African states in this future mean that some have been able to take advantage of the opportunities that this dispersed system presents, while others have been hurt by decreased volumes and coordination of formal development finance. Multilateral development institutions no longer operate on a scale that can fill the gap for struggling economies.

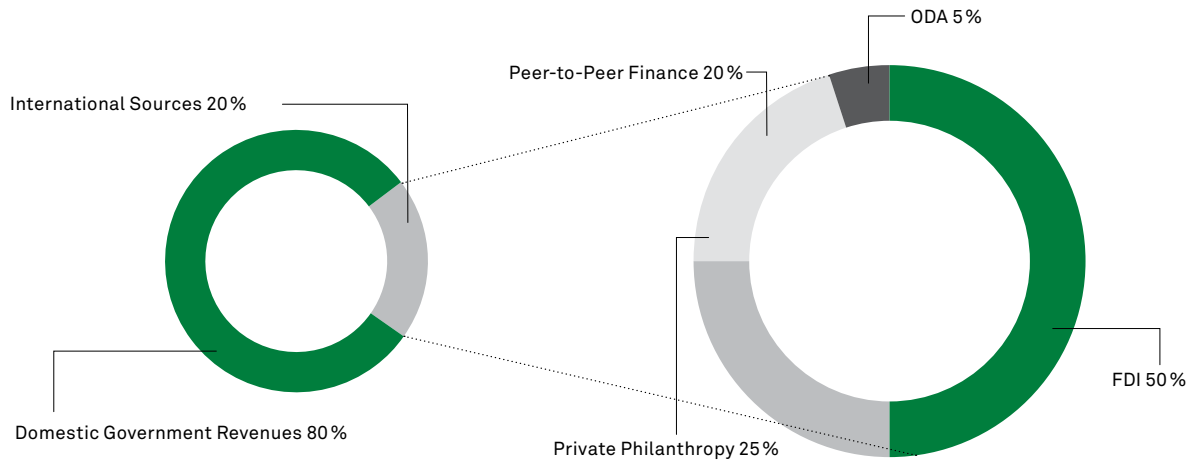
There is hardly any significant bilateral aid anymore. The US in particular has discontinued foreign aid. Over the last 10 years, the US (non-military) foreign assistance budget has been cut to zero. The EU continues some foreign assistance, but the Sub-Saharan African countries that effectively competed for alternative sources of finance no longer depend on European aid and therefore exercise greater political autonomy, directing funding to their own policy priorities. Pressure on European leaders from strapped budgets has led to policy changes that benefit some Sub-Saharan African countries as well, such as reducing agricultural subsidies and removing trade barriers.

Innovative peer-to-peer financing mechanisms have shifted development funding from multilateral agencies to individuals. Development projects are funded through major international crowd-fund-

ing platforms, such as Kiva and mPesa micro-loans (a new service built on mPesa, the successful mobile phone-based money transfer system established in 2007 in Kenya). These platforms receive their capital basis through individual micro-lenders all over the world. In general, development is re-labeled on the public agenda, and individuals view development under an “investment-logic” as opposed to a “caring-logic.” Global development as a sector shifts from being described as a moral imperative or charity to being framed as a sound investment. Projects with only humanitarian goals have lost most of their funding, while it is easy to find specific project funding for projects that promise returns. The private sector picks winners and losers. Though winning countries can maintain government funding for health and education and expect an economic growth dividend, the Sub-Saharan African states that have fallen behind no longer have access to ODA to prop up those sectors. In an environment of cut-throat competition for funds, those countries that rely on assistance from outside find that a number of sectors are under-funded, especially social sectors like health and education. Even worse, for precautionary purposes profit-oriented investors have exited from losing countries after capturing returns. Massive outflows of resources in the form of capital flight continuously fuel the debt cycle, leaving these losing countries in a more fragile status.

³ For more information, see: <http://www.safaricom.co.ke/business/solutions-by-business-size/large-corporate/m-pesa>

FIGURE 3: 2022 SOURCES OF DEVELOPMENT FINANCE WITH UNRAVELING GLOBAL GOVERNANCE



> Note: Numerical examples are for illustrative purposes only.

At the same time, a reorientation in the American private sector towards exports and investment opportunities in emerging markets has led to a reorientation of corporate and philanthropic priorities towards building and serving markets in Sub-Saharan Africa. Those actors' large and important new investments in infrastructure (such as improvement of ports) have been game-changing for those Sub-Saharan African states seen to be stable and well-governed enough early in the decade to be attractive as new markets.

Regional cooperation in Africa has not been very successful, especially in regions with fragile states, such as Chad or Somalia. African states are fending

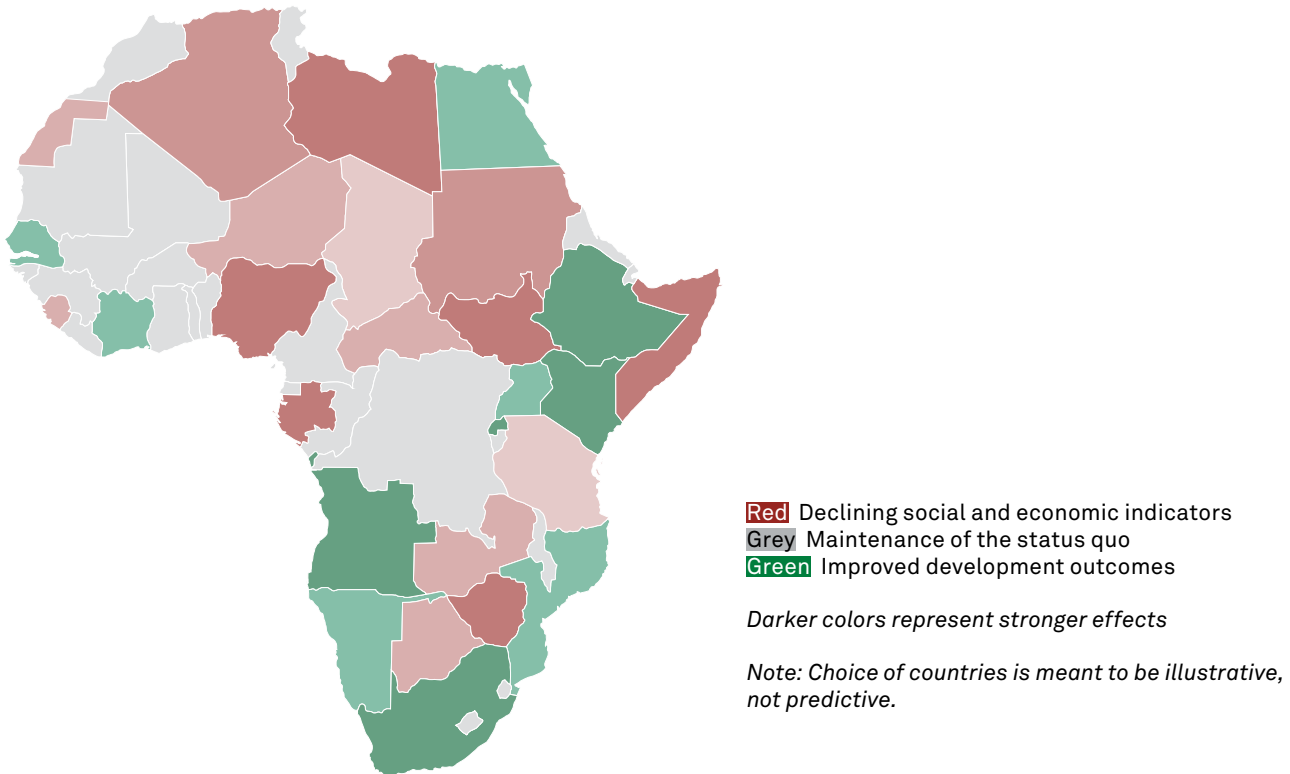
for themselves and competing for resources. They are split into clear winners and losers: A number of successful African states are thriving while the big losers are falling more and more behind. In the winning countries, an elite class of African investors has emerged – with an increasingly strong focus on Sub-Saharan African investments – while the middle class has grown strong and domestic demand is rising. The losers, meanwhile, are highly vulnerable to internal and external shocks, with the decline of the old safety net of bilateral and multilateral development assistance.

Political and Economic Situation of Major Actors

States in Sub-Saharan Africa have been split into winners and losers. Ten years of intense competition among the least developed states have led to clear winners and losers. African states fall into two very distinct camps: Many Sub-Saharan states have achieved middle income status while the rest remain stuck as low income states. A number of formerly rather stable states have started to break down, and the number of fragile states on the continent has increased. For example, in 2022, Nigeria is more fragile after plunging into chaos during the

2015 presidential election cycle, opening the door for extremist groups to flourish. Unable to keep up, the fragile states represent a new bottom – farther behind and more desperate than ever before.

FIGURE 4: EXAMPLE OF DEVELOPMENT OUTCOMES IN AFRICA IN 2022 UNDER “CUT-THROAT COMPETITION”



The winners in Sub-Saharan Africa are no longer “recipients” or “beneficiaries” of aid, but partners with their own capacity to achieve development goals. The winners are countries that are characterized by an effective government (though not necessarily robust, representative democracies, as the case of Rwanda has shown), in many cases after a change in leadership. The winners have managed to make effective use of their abundant natural resources and been able to generate substantial infrastructure investment, partially through low capital controls. Health advances and investments in education (particularly tertiary education and technology skills) have dramatically increased productivity in these winning countries. The advances in health and education further support economic growth by enabling these winners to make effective use of their large youth populations. Leapfrogged infrastructure, built to world-class and cutting-edge standards, has also improved both service delivery and the efficiency of markets.

China and other emerging economies, especially Brazil, have gained some power in the governance of global development but have not replaced the stature of the former leaders of development aid. Though China’s own economy has not declined, it also has not moved beyond middle-income status or fully addressed inequality and persistent poverty at home. China’s growth has stalled out in part because, while there are still natural resources like coal and copper available, they have become harder and more expensive to access. As some African states have become better governed and are able to attract more diverse investment under more favorable terms, they are less willing to negotiate the kinds of deals that fueled an earlier phase of growth in China. China’s aging population, which needs to be sustained by relatively fewer workers per dependent adult, puts an enormous strain on the country’s growth prospects. There are still strong ties between China and many Sub-Saharan African states – China has contributed to infrastructure de-

velopment in Africa, and African “winners” have provided a growing market for Chinese goods – but those relationships have not been the dominant cause of economic trends for either party. Equally important for Africa has been the development of deeper economic links to Brazil and India.

The US and the EU have had to struggle with their debt crises for a number of years – and have still not fully recovered. Once agricultural subsidies were cut in the US and EU by governments that could no lon-

ger afford them, major multinationals began investing in agriculture on a much more even global playing field. Global agriculture has therefore shifted significantly, and Sub-Saharan African countries earn relatively more today than in 2013 from agricultural exports. The winners are, generally speaking, food secure and less reliant on imports from developed countries, thanks in part to trade among themselves. However, some fragile states that fell further behind still experience food insecurity and are isolated from regional markets.

Inclusive Green Growth, Sustainability and Risk Resilience Of African Countries

Sub-Saharan African states have not managed to attain inclusive green growth. Instead, they have followed an unsustainable growth pattern, inflicting irrevocable environmental damage. There is also a lack of resilience, in that many African states do not adequately prepare for natural disasters or use environmental management to avoid either disasters or excessive commodity price volatility.

Globally, disaster management relies on a combination of private insurance markets and private philanthropy, since the decline in multilateral development institutions and bilateral aid agencies leaves governments less prepared to assist other countries. The lack of a financial support structure, or “safety net,” becomes shockingly apparent when the Great

Floods of 2019 hit West and Central Africa, resulting in extensive damage to infrastructure and crops and enormous human suffering in Chad and Cameroon. Strong countries such as Senegal, Liberia, and Ghana rise from the disaster with another sort of flood: a flood of investments in critical infrastructure and new early warning systems. These well governed, growing states mobilize funds for rebuilding, including leap-frogging infrastructure that takes advantage of the opportunity to build new systems without the burden of outdated ones. In contrast, fragile states struggle to rebuild since they lack effective preparation or insurance, and have little expectation that rebuilt infrastructure would have financial returns for investors.

State of Global Governance

Unraveling formal global development governance has had mixed results. While international cooperation has suffered, the huge potential for informal innovations has also been unleashed. These innovations include: shorter delegation chains in aid delivery, which enhances accountability by reducing layers of aid bureaucrats; bottom-up participatory monitoring mechanisms to eliminate misallocation and waste of funds; more predictable and stable non-tax sources of finance that do not fall prey to domestic budgetary battles in donor countries.

“Global development governance” no longer exists by that name. The role of multilateral institutions has declined as leading funders stepped away from development assistance thanks to an erosion of popular support in donor countries whose own economies are struggling. The World Bank, in particular, lost the majority of its funding – and with it the influence that it formerly exerted throughout low income countries. Over the course of his term, President Kim did not manage to keep the World Bank relevant to China, Brazil and other

nations that have access to private investors. When in 2017 Kim's term was renewed and the calls for an African president of the World Bank were again not successful, the standing of the institution was further undermined in the developing world, and the long-awaited and incrementally emerging BRICS development bank became a smaller-scale but legitimate alternative. Corruption scandals in the World Bank in 2018 accelerated the decay of the institution as the funders reduced their commitments even further, leading to several waves of mass layoffs in the bank, while other multilateral development institutions also shrunk in size. There is still some role for multilateral institutions in humanitarian and disaster response, but as funding generally has declined strongly through the United States' and Europe's withdrawal, funding is not open ended (it is even more crisis specific than in the past). The United Nations Development Programme (UNDP) is no longer a big player in implementing development programs, again due to the lack of funding and organizational mismanagement. The OECD's Development Assistance Committee was formally dissolved in 2018, since bilateral aid was already seen as a thing of the past.

Governance of other policy areas has unraveled.

In 2022, we live in a world in which global governance has unraveled. After the Ninth WTO Ministerial, Director General Roberto Azvedo declared the Doha Round failed and announced, in light of opposing negotiation stances, that there will be no new round until the end of the decade. While the director general continues to stress that the WTO remains a relevant pillar of global governance, the member states are not only disregarding the multilateral negotiating forum completely but also starting to question its dispute settlement body. The erosion of global economic governance has been detrimental for developing countries, since their development prospects depend in part on a stable and open world economy with fair rules for global trade, finance and investment. There has also been no progress in any other realm of global governance. For example, no agreement on a global climate deal was realized and, facing continuous deadlock, the UNFCCC started to fall apart. Over

the course of the decade, the impact of climate change has been increasingly felt around the world, with the poor hit especially hard.

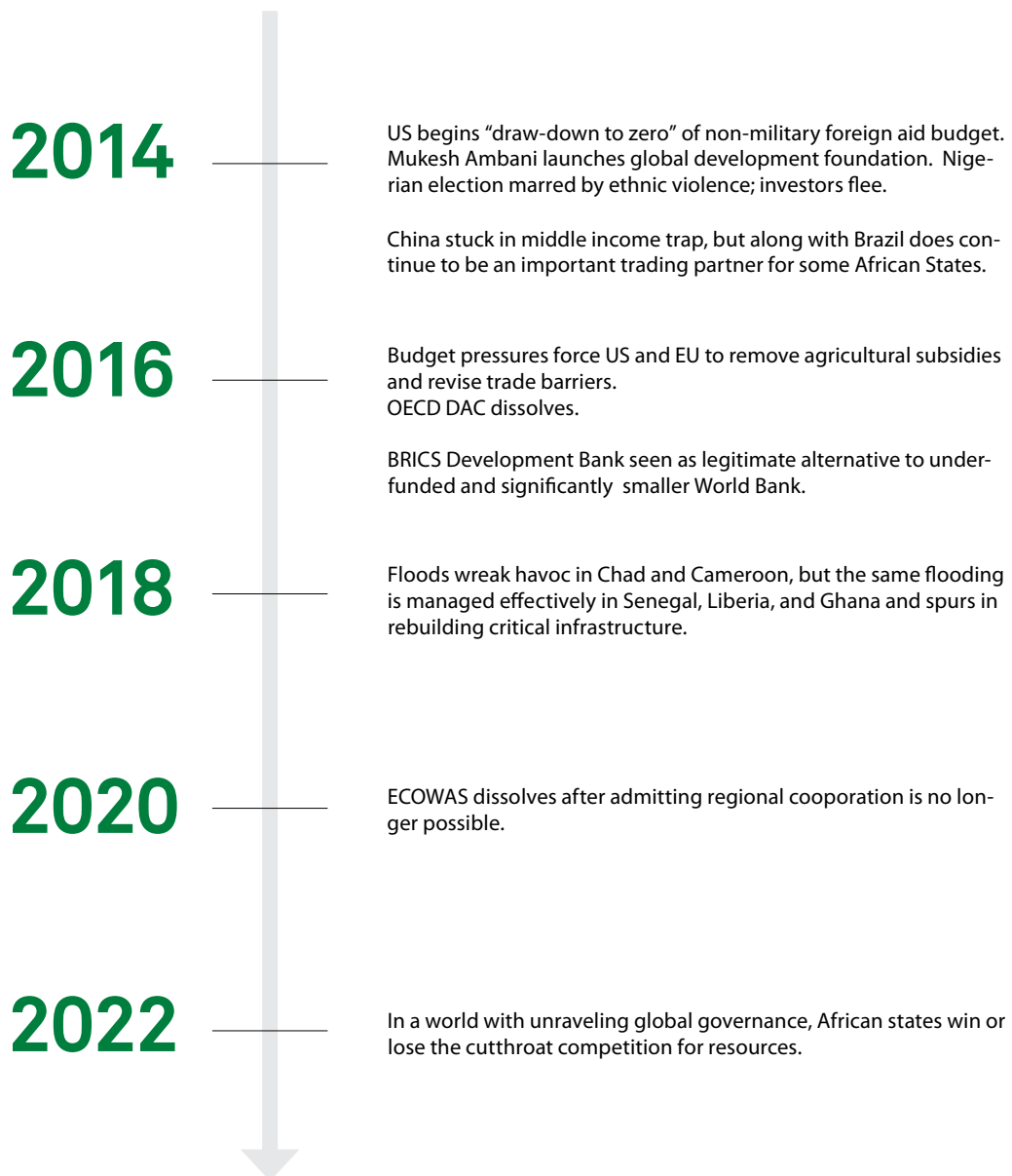
New actors drive the development process globally.

Private sector investments, remittances and philanthropy have become more important as bilateral ODA and multilateral financial instruments have waned. The increasing success of the Gates Foundation has set an example for other philanthropists across the globe to create huge private foundations, and in 2015 the Indian billionaire Mukesh Ambani started a new foundation committed to fighting poverty. Governance of development processes now takes the form of more "partnership forums" like the Clinton Global Initiative, targeted health campaigns, and crisis response activities that are flexible enough to coordinate the actions of many different types of actors, not just state aid agencies. As a sign of the times, for the last several years the World Economic Forum meeting in Davos has gotten far more coverage and attention than the opening of the United Nations General Assembly. Countries in Sub-Saharan Africa now have a larger role in shaping the direction that these forums take and the problems they address. Former "emerging donors" also have a large voice, in part because their development programs have always looked more like the partnerships fostered in these forums than like traditional bilateral aid agencies. However, while flexible, these forums fail to provide long-term platforms for cooperation; the result is a lack of coordinated strategy and many, repeated instances "reinventing the wheel."

There is no effective regional cooperation in Africa.

Some African regional bodies have gained strength, but they represent the interests of well-governed "winning" states, which try to crack down on the "losing" states in fear of contagion effects for the region. Regional cooperation has not evolved to mute the effects of cut-throat competition, but rather exacerbates the divide between succeeding and failing states.

FIGURE 5: TIMELINE OF A “CUT-THROAT COMPETITION” SCENARIO



_ SCENARIO 3: AFRICA RISING

A Picture of the Future with Effective Global Governance

In 2022, African countries witnessed broadly similar positive growth trends. Natural variations between countries largely fuel regional cooperative advantages. Sub-Saharan African countries have on average achieved middle income status.⁴ With rapid economic growth, supported by leapfrogging infrastructure, the African continent is one of the most attractive regions in the world for private investors.

Global governance in 2022 provides an enabling framework for sustainable development. The agreement on a post-2015 development agenda (the “Beijing Consensus” on diverse partnerships for development) generated momentum for renewed interest in sustainable development; Doha Round trade negotiations and UNFCCC climate negotiations were brought to a successful conclusion; ocean governance was improved; and a new model of global financial governance was established.

Sub-Saharan African governments, private sector leaders, and civil society reshaped the development process to take advantage of – and coordinate the use of – nontraditional financial flows from Europe, the US, multilateral institutions, and emerging economies, both at the institutional level and at the citizen-to-citizen level. The primary channels of development finance in Sub-Saharan Africa have been shifted away from ODA to private, bilateral and regional sources. This occurred as a new post-MDGs consensus – between former aid donors and recipients – emerged to use ODA in a coordinated, catalytic manner while improving governance and expanding nontraditional sources of development finance.

Primary Channels of Development Finance

As the 2015 MDGs deadline loomed, donors and developing countries convened a broader set of stakeholders – including emerging donors, business leaders, and philanthropies – to move beyond the outdated modes of development assistance (a key distinction from a future in which outdated global development governance persists, as in the “Africa Left Behind” scenario). The new consensus recognized that ODA could play a catalytic role for a few more years, but could not be sustained as in previ-

ous eras. It could, however, be replaced by a more dynamic and flexible system of diverse funding mechanisms built around mutually beneficial partnerships.

Although ODA accounts for only a small portion of global financial flows to Africa in 2022, it has played a positive role in the process of reducing aid dependence and increasing the diversity of development finance over time. Due to the increasing political

⁴ In our scenarios, we consider relative rather than absolute income categories, but we refer to World Bank country income definitions: <http://data.worldbank.org/about/country-classifications>

autonomy of African countries and leaders' focus on economic independence, ODA over the past decade has tended to provide a very targeted and direct support mechanism for private investors.

ODA has become more focused on improving economic endowments, such as human capital, through health and education investments, and also providing the first tier of finance for project-level investments, such as through the International Financial Corporation of the World Bank Group or the Multilateral Investment Guarantee Agency. Thus, in the short-term "bridging period," aid has laid the foundation for mitigating risk, kick-starting investment rounds and emphasizing sustainable long-run investment horizons. Other bilateral and multilateral assistance channels have played similar roles for private investors. South-South investment has increased with dozens of banks raising Sub-Saharan Africa-focused funds. Regional and national development banks (like the China Development Bank and the BRICS development bank) have also gotten involved in African development, with a priority on incubating market actors rather than developing tight relationships with individual leaders. The BRICS countries remain the status quo as middle income countries, and keep growing with large spillover effects for Sub-Saharan Africa as a whole.

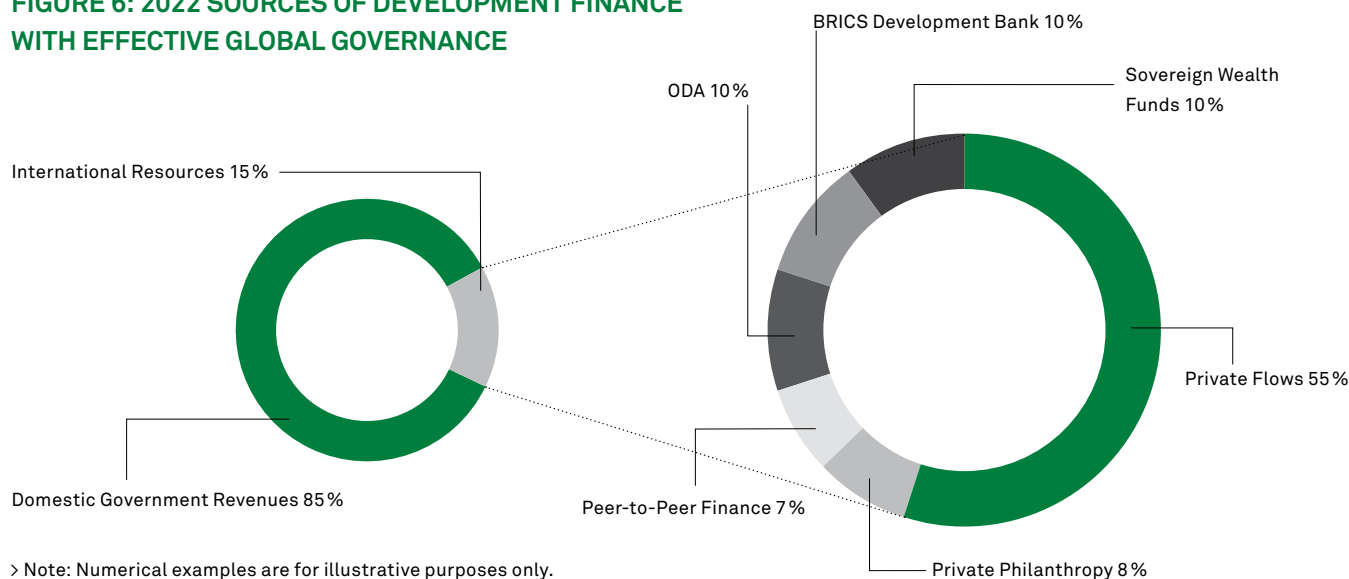
FDI continues to play an important role in financing growth in Sub-Saharan African countries. With the promotion of innovative finance, African countries have gained much more initiative in signing Bilateral Investment Treaties. Thus, FDI has increasingly been targeted to projects that fuel sustainable local growth, such as value-added production, rather than concentrating on extractive industries. As governance and human capital improved rapidly over the decade, these more sustainable forms of investment were seen as less risky.

Innovative mechanisms such as peer-to-peer lending and direct finance mechanisms have also by 2022 scaled up in Sub-Saharan Africa. Global investors now allocate a considerable portion of portfolios to Sub-Saharan African government securities,

equities markets and private equity firms. At the same time, as shareholders across the globe have called for social and environmental impacts to be factored into business decisions, multinational corporations have found it ever more appealing to contribute to sustainable growth in Sub-Saharan Africa. Similarly, recognizing the political and financial advantages of participating in the new "mutually beneficial partnerships" model of global development, corporate culture within Sub-Saharan Africa has increasingly emphasized corporate investment in human capital and local community development. Increasing philanthropic funds from wealthy individuals and associations within emerging markets have enhanced the virtuous circle between investment and sustainable development outcomes.

Another dominant source of investment is sovereign wealth funds (SWFs) in Africa and beyond. These funds have become important new players in global development during the past decade. Accounting for 10% of global SWFs, the assets of Sub-Saharan African SWFs by 2022 are almost ten times their inception level, notably in oil exporting countries (including Nigeria and Angola) and countries whose assets are ballooning as pension coverage rises. Along with the huge increase of African SWFs' capacity, SWFs from the Middle East and former emerging economies have also strengthened their position in the global investment arena. Aside from generating revenues from commodity riches and other projects, SWFs also offer a higher growth multiplier for Sub-Saharan African economies by closing the finance gap in strategic sectors like large-scale infrastructure, tourism, and agriculture.

FIGURE 6: 2022 SOURCES OF DEVELOPMENT FINANCE WITH EFFECTIVE GLOBAL GOVERNANCE



Political and Economic Situation of Major Actors

New African leadership elected. In key countries, particularly economically pivotal countries such as Nigeria, South Africa, and Kenya, a new generation of transformative leadership has successfully forged national visions for development, including setting strategic direction, promoting cohesion between different socio-economic classes and stakeholders both domestically and internationally. Despite fears of ethnic conflict, Nigeria's 2015 election cycle has become a model for reducing tensions, as business and cultural leaders came together to call for calm and reasoned debate. Elites in several Sub-Saharan African countries have mobilized broad public support by embracing the idea of "saying goodbye to foreign aid" in favor of trade partnerships, an idea that has resonated with an array of new development finance sources as well, especially among former "emerging donors" like Brazil. In the largest regional private investment hubs (Nigeria in the west, South Africa in the south, Egypt in the north, and Kenya/Uganda in the east), success in managing internal ethnic and political diversity has provided much needed stability and regional investment leadership and also contributed to the economic growth of the whole continent.

Regional cooperation flourishes. One critical difference between the "Africa Rising" scenario and a future with "Cut-Throat Competition" is that new leadership and economic growth in "winning" countries has brought neighboring countries along instead of increasing the divisions between them. This is the result of a decade of deepening regional cooperation, with hubs in East, West, and Southern Africa that have viewed their national development as inextricably linked to their neighbors'. Corporations with operations in multiple Sub-Saharan African countries have helped pressure political leaders to take this view, and deeper linkages among civil society elites contributed to the push for regional cooperation as well. Leaders have emphasized cross-border infrastructure projects and harmonized trade and border regulations, so that by 2022 both goods and the labor force can move relatively freely and efficiently among states.

Greater political autonomy for Africa. By 2022, Sub-Saharan African countries have more policy autonomy and eschew financial and psychological dependence on international financial institutions and foreign governments. African states have broken free of major outside constraints on policy, partially

because rising growth rates put Africa in an advantageous position in international negotiations. In addition, the return of young and mid-career professionals from the Sub-Saharan African diaspora created broader growth, renewed investment, and deeper domestic capacity to define development challenges and formulate innovative solutions to both domestic and global issues. In particular, the growth of independent domestic policy forums and African think tanks have ensured a degree of accountability and public debate that has improved policies in many countries. At the same time, with a larger share of government revenue coming from domestic sources, as opposed to resource rents and aid, governments have become more accountable to their citizens and have reinvested in national priorities like health, education, and critical infrastructure.

Africa as the new focus of high-growth investment. By 2022, Africa has built cutting-edge and even world-class infrastructure in some areas. This infrastructure includes both traditional large-scale projects, such as highways and business parks made with innovative materials and environmentally friendly designs, as well as leapfrogging technological advances that reduce physical capital intensity, such as the wireless broadband internet backbone which has put millions of Africans online.

Better communications infrastructure helped facilitate market aggregation and integration across the continent in the mid-2010's, including partnerships with members of the African diaspora around the world, which bolstered investor confidence and attracted world-class foreign investment. Both the operating cost and risks of investing reduced over time. In addition to improved infrastructure, African states have been largely free of long-term conflict since 2015, and remain politically stable, providing a much better investment climate compared to a decade ago.

Limited investment options in US, EU and BRIC countries. By 2022, Africa has become the main frontier of fast growth as other countries decelerate. The US and EU have turned inward to address domestic challenges. Within the private sector, the stability of US unemployment and the lack of a full, permanent resolution of the Euro-zone crisis, have led to reduced investment opportunities in those markets and a desire by US- and EU-based corporations to expand their footprints further afield. The BRIC countries (without South Africa) appear to be stuck in a middle income trap, with moderate economic growth but large accumulation of exchange reserves. These factors have all contributed to the boom of money pumping into Africa.

Inclusive Green Growth, Sustainability and Risk Resilience of African Countries

In 2022, the world has achieved the shift towards inclusive green growth and sustainable development. Economies in Sub-Saharan Africa and worldwide are more efficient in their use of natural resources, cleaner by minimizing pollution, and more resilient by accounting for natural hazards and using environmental management to reduce risks and mitigate commodity price volatility. The global community has managed to reconcile the urgent need for sustained growth with the imperatives of avoiding irreversible environmental damage, maximizing environmental benefits, and minimizing costs for the poorest and most vulnerable.

By 2022, the risk resilience of Sub-Saharan Africa has improved tremendously. One important reason is that over the decade Sub-Saharan African states have become less dependent on bilateral and multilateral aid institutions, and now have access to a wider range of financial and political institutions to help mitigate risk, including FDI, regional cooperation bodies, philanthropy, peer-to-peer lending, and robust insurance markets.

Long-term planning and insurance mechanisms have equipped Sub-Saharan African states to face unexpected and catastrophic disasters. While the Bretton-Woods institutions of the World Bank and IMF used to play the dominant role in insuring financial volatility, natural disasters, and health emergencies, global private insurance markets are better developed in 2022 and able to shoulder some of the burden of unexpected costs, due to improved long-term risk management and global regulations. The multi-state catastrophe financing cooperatives pioneered by the Caribbean and South Pacific countries by 2012 were applied as a model for cooperation between African countries. Thankfully, those mechanisms were in place before the Great Floods of 2019, and were critical in mitigating damage and facilitating a speedy recovery. Better managed international and regional relations and more stable governments have ensured that, when facing unforeseen distress, such as natural disasters or acts of international terrorism, Sub-Saharan African states can call on external assistance from global private insurance markets, individual charitable donors, or neighboring states without sacrificing their long-term fiscal manage-

ment autonomy or suffering substantial losses relative to GDP.

By 2022, the continent has established a “blue chip” asset class of large, Sub-Saharan African-owned businesses to compete with the stability offered by western equity markets, including the MTN Group, Ethiopian Airlines, and retail giants Shoprite, Pick’n Pay, and Nakumatt. In addition, there are also growth investment options that rival those in other regions, such as the joint East African Community innovation hub, which is equipped with first-class technology and infrastructure and has dubbed the “Silicon Rift Valley.”

Reduction in risk went hand in hand with the reduction in state fragility, which created an investor-friendly institutional environment. International institutions also played an important role in attracting investors to Africa by supporting the successful growth of the African middle class and by funding the ingredients of a favorable investment climate, including business-friendly regulation, financial sector development, political stability, and international business standards.

State of Global Governance

INTERNATIONAL LEVEL

Effective Global Governance. In 2022, global governance provides an enabling framework for sustainable development. For example, during the 11th WTO Ministerial in 2017, member states agreed on a negotiating package that benefited the poor, after a new global consensus on development goals and strategies had been established that pointed out the need for policy coherence between trade and development. In 2015, UNFCCC climate negotiations were brought to a conclusion with agreement on social compensation for those affected by climate change. Ocean governance was improved through holistic ecosystem-based marine spatial planning. In 2016, the Global Economic Council (GEC) was set up in the context of the United Nations system, substituting the G20. The GEC meets regularly at the

level of heads of state and government to coordinate global economic policy and to tackle institutional gaps and other challenges, for instance by creating a suitable framework for states going bankrupt or addressing social and ecological issues. Mixing participation in decision-making of systemically important countries with representation of all members of the international community, the GEC has more legitimacy than the G20 and provides a better forum to strengthen policy coherence and discuss the provision of global public goods.

Rise of investment partnerships, global regulation of capital flows. By 2022, the promise of the 2002 Monterrey Consensus has truly been achieved: Development finance is no longer just about aid. It includes everything from trade finance to immigration and the global financial system. A holistic policy

approach, in which policymakers, business leaders, philanthropists, and investors consider mutually beneficial social policies for long-term, win-win growth, has been embraced in the US and Europe as well as in emerging donor countries. This is partially due to the motivation to consider a more “enlightened self-interest” on the part of policymakers (for instance, that African countries’ middle-income status would entail less foreign military involvement in order to fight global terrorism). Strong personal leadership from trade and finance ministers, key legislators, and the executives in both the US and key EU states also facilitated the process.

On the other hand, after the 2008 financial crisis, the global financial system as a whole became much more inclusive of emerging economies and partners. The BRICS development bank was formally opened and grew over the decade, promoting development in Sub-Saharan African countries and beyond. In their efforts to revitalize their own economies, the US and EU have been more open to learning “new development thinking” from countries like China, India, Brazil, as well as Indonesia, Turkey and other “second-tier” emerging markets. An early reflection of this paradigm emerged as the “Beijing Consensus” in 2016. Indeed, shared lessons with emerging markets have boosted economic growth overall, for example in building Greek infrastructure after the Euro-zone crisis and in emphasizing the role of regional development banks over export-import banks. European countries again became recipients of development assistance, as they were just after World War II upon the creation of the World Bank and IMF. Thus, as the psychology of the global economy has shifted towards multi-lateral partnership, there has been a shift in development thinking from 20th-century Western dominance to more equal global cooperation – that is, a shift from broad adherence to the Washington Con-

sensus to a Beijing Consensus. The development process has become a “two-way street” in which governments, businesses, philanthropies, and investors acknowledge the global benefits accrued from a peer-level engagement with developing countries, leaving the latter greater space for national policy autonomy. In global economic governance, policy coherence has more profound implications in terms of the “rules of the game.”

Such an investment partnership mindset was supported by many African leaders in the early years of this shift, as they were in favor of both greater policy autonomy and retaining capital inflows. To attain this end, they also agreed to global regulations that prohibited illicit financial flows, which had for decades drained resources from African countries. With similar worries about the stability of international financial flows, emerging economies in other regions also gave strong backing to the crackdown on illicit financial flows. By 2022, the global governance framework has converged to strict controls on illicit capital off-shoring and supported the sustainable accumulation of long-term financial and human capital on the African continent. Specifically, international institutions like the IMF, the World Bank, the Bank for International Settlements and the Financial Stability Forum have played positive roles in formulating worldwide standards, including regulatory constraints, restrictive licenses, international cooperation and so forth, on offshore financial centers. Together with the US and UK, leading countries in the EU have promoted the implementation of such standards in the Caribbean and Pacific tax havens that used to be their overseas territories.

⁵ United Nations, “Recommendations by the Commission of Experts of the President of the General Assembly on reforms of the international monetary and financial system,” 19 March 2009, p. 12. <http://www.un.org/ga/president/63/letters/recommendationExperts200309.pdf>.

REGIONAL LEVEL

Enhanced African integration and cooperation.

In 2022, African integration and cooperation has reached an unprecedented height. To attract foreign investors vis-à-vis larger markets such as the US, China, and the EU, African political leaders in key states began to step up and drive regional roles. Their initiative was backed by African business leaders, who were eager to seize cooperative opportunities across borders to attract clients and consumers across multiple countries. In 2012, the small market sizes of most African countries outside South Africa and Nigeria did not allow consumer-focused businesses to grow to international scale; doing business across borders was difficult due to cultural and language differences, not to mention transport costs. A concerted effort by political and business leaders to break down literal and figurative barriers helped lead to more integrated markets by 2022.

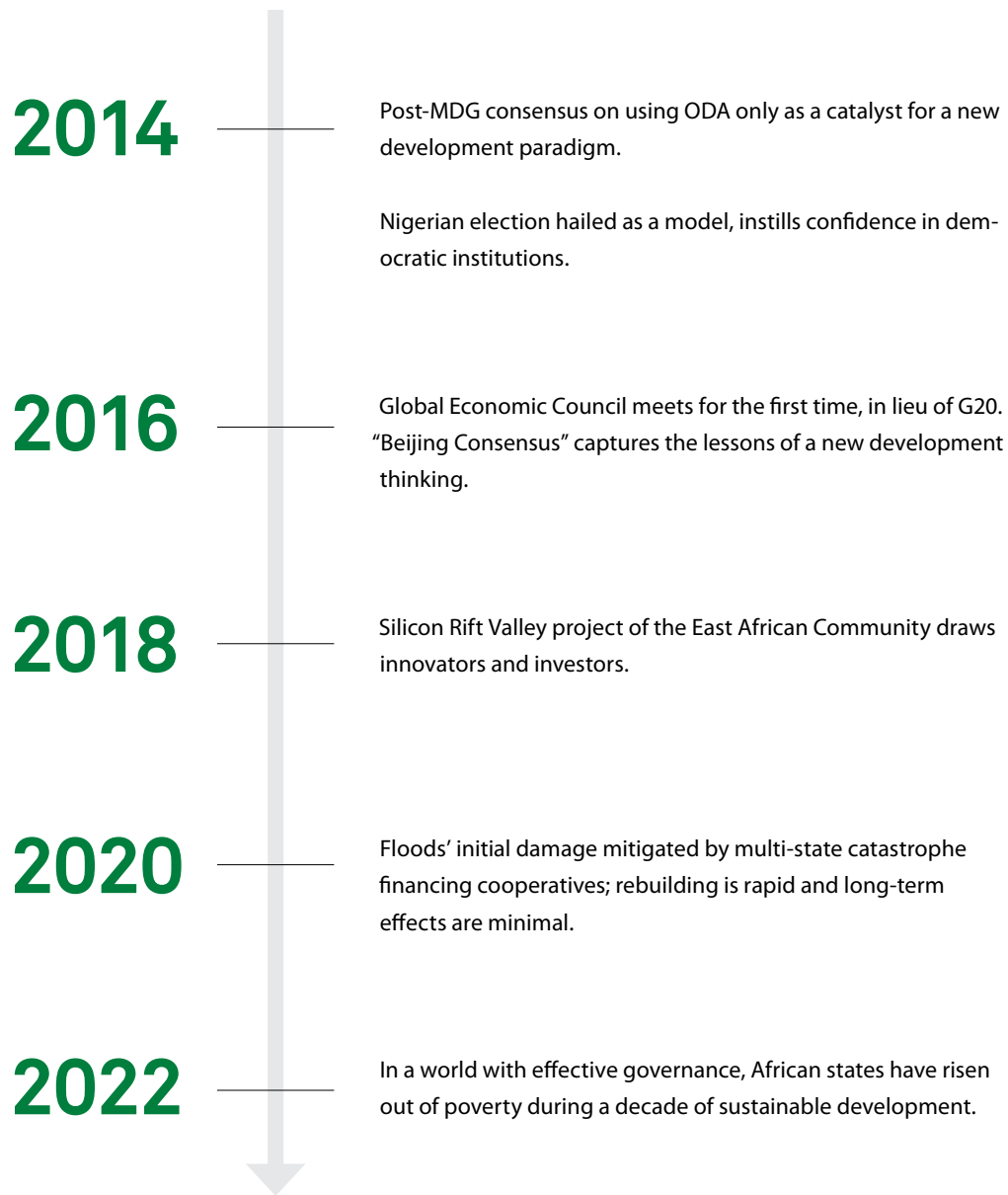
Sub-regional attempts were thus promoted by leading countries. East Africa strengthened the East African Community through the development of the Silicon Rift Valley hub and other large-scale projects. South Africa took a leading role in the Southern African Development Community's resolution of the tense Zimbabwean political situation after President Mugabe's death at the age of 92, after which South Africa and Zimbabwe together formed a power nexus to lead smaller countries including Swaziland, Lesotho, Botswana, Namibia, Zambia, and Malawi. In addition, the regional partnerships between Nigeria, Ghana, and French-speaking West African countries have also been enhanced as the Economic Community of West African States has grown to encompass both political and economic cooperation across Anglophone and Francophone West Africa. The continent has thus presented more competitive large-scale investment opportunities to global investors, and regional investments in turn have deepened partnerships.

Leapfrogging infrastructural links have also facilitated market aggregation. Cross-border transportation infrastructure has proven critical to moving goods more efficiently and paved the way for other

types of regional infrastructure cooperation. The creation of a pan-African telecommunication backbone – through a combination of privately launched satellites, long cables, and mobile broadband – began linking the continent by 2015 and has continued to be expanded. Rising internet penetration has reached millions of more consumers, for whom many entrepreneurs were poised to launch their innovations, such as online financial transactions. In addition, productivity has risen dramatically across the continent through online training and skills transfer, as well as more rapid logistics coordination.

The success of sub-regional integration has intensified the relationships between national leaders. Achieving economic scale within sub-regional blocs large enough compared with international competitors (China, US, Latin America, EU, etc.) has become a basis for regional consensus. More importantly, increasing coordination in setting the agenda to support Sub-Saharan Africa's socio-economic transformation gradually changed the mindset of more and more African elites towards realizing continent-wide cooperation.

FIGURE 7: TIMELINE OF AN “AFRICA RISING” SCENARIO



STRATEGIC IMPLICATIONS

By challenging assumed trends, the scenarios presented in the previous sections force us to consider contingency plans for an uncertain future. Each scenario highlights opportunities and threats that global development governance may face over the next 10 years. By looking at the consequences of multiple scenarios, today's policymakers can see vividly how choices made today could help prevent a development backslide like "Africa Left Behind," promote risk mitigation strategies for a competitive world of "Cut-Throat Competition," or actively move towards a development success like "Africa Rising." This section highlights the consequences

(risks and opportunities) of the three scenarios, as well as high-level implications for strategies to mitigate risks and expand opportunities. The final section on policy recommendations maps these strategic implications to specific actions that stakeholders can take today, in 2013.

Table 2 outlines what each of the three visions of global development governance in 2022 would mean for Sub-Saharan Africa and the world on three dimensions of consequences: poverty and human development, institutional capacity, and environmental sustainability.

	AFRICA LEFT BEHIND (OUTDATED GLOBAL GOVERNANCE)	CUT - THROAT COMPETITION (UNRAVELING GLOBAL GOVERNANCE)	AFRICA RISING (EFFECTIVE GLOBAL GOVERNANCE)
Poverty and Human Development	Failure to deliver "pro-poor" benefits	Widening social gap	Pockets of poverty
Institutional Capacity	Outdated governance system	Regional governance hegemony	Broad-based governance capacity
Sustainability	Lack of efforts to tackle sustainability challenges	Lack of sustainability, though some countries become more resilient	Green growth and sustainability

Poverty and Human Development

The risks and opportunities for poverty and human development vary considerably across all three scenarios. In "Africa Left Behind," extreme poverty persists even as China grows economically and current donors continue to give aid to Sub-Saharan African states. African human development indicators stagnate, even as developing countries in other regions deliver improvements for their poorest citizens. Where growth occurs, it fails to deliver "pro-poor" benefits. In "Cut-Throat Competition," rural development stagnates while the concentration of government power in urban areas neglects rural

citizens in many Sub-Saharan African countries; some countries reduce poverty and improve on human development indicators, but continental averages are pulled down by a growing number of fragile states.

In "Africa Rising," African human development indicators improve vastly, and the distribution of poverty is more equal across the world. Although poverty reduction, public health, education, and gender equity lag behind economic growth, there are sustained gains against HIV/AIDS, tuberculosis, ma-

alaria, maternal deaths, pneumonia, and the diarrheal diseases that killed so many children in 2012.

One of the key factors that seems to distinguish between scenarios with dire consequences for poverty and human development and those with better consequences is more effective domestic governance in Sub-Saharan African states. In particular, policymakers can look to strategies for efficient

ministries of finance, health, education, agriculture, and industry to improve other development outcomes, such as strong investment climates, improved domestic and regional stability, and reduced vulnerability to ethnic conflict and terrorism.

Sustainability

Sustainability and environmental factors are crucial elements of global development. It remains a key question whether Sub-Saharan Africa can only develop rapidly over the next 10 years at the expense of the environment, or whether sustainable growth is possible.

In the “Africa Left Behind” scenario, sustainability is not a priority, as the spike in poverty rates and catastrophic health conditions among the population distract political focus from the environment. Sub-Saharan Africa would furthermore be heavily impacted by climate change, with rising CO₂ emissions causing further droughts, making some regions unlivable and leading to increased migration flows.

In the “Cut-Throat Competition” scenario, there is a wide range of potential outcomes for 2022 environmental quality. The well-governed “winning” states that experience rapid economic growth over the decade would be able to incorporate “green growth” policies into their development agenda, particularly by investing in world-class infrastructure and technology. However, their growth could still come with significant environmental costs, as urbanization and energy demands accelerate. A handful of countries including Madagascar, Namibia, and Botswana might participate in innovative environmental damage mitigation programs, such as REDD+, but overall growth could come with a steep price. In the fragile states left behind by the decade’s fierce competition, poor environmental management would place an additional burden on already struggling communities.

In the “Africa Rising” scenario, though the implications for environmental sustainability seem generally positive, risks remain. Nothing about the economic and political equilibrium we envision necessarily depends on environmentally friendly policies; growth could bring along with it increasingly rapid urbanization, pollution, deforestation, and threats to unique habitats and wildlife. Growing demands for energy in Africa could stress global energy markets.

As these consequences show, an outdated system of global governance would be unable to mitigate the negative consequences of climate change. In either an unraveled or revitalized global development governance system, there is the possibility of sustainable growth, but key factors – including improved accountability and transparency of domestic governance in Sub-Saharan Africa – would determine whether “green growth” strategies succeed.

Strategic Options

To translate general consequences into specific policy recommendations, we first look at what the implications outlined above mean for particular actors who might want to prepare today for an uncertain future. We differentiate between local and international actors. Local actors include predominantly Sub-Saharan African political leaders and policy-makers, but also civil society actors. International

actors include multilateral organizations, traditional and emerging donor governments, international investors, philanthropists and non-profit initiatives. These strategic options describe, in general terms, the sorts and directions of policy choices that various actors must make. The next section makes specific policy recommendations based on these broad strategies.

LOCAL ACTORS

Since growth in China could theoretically take off without bringing African economies along, African governments can work with current donors to address the root causes of an “Africa Left Behind” scenario. These causes include not only the global failure to coalesce around a post-2015 development assistance agenda, but also the persistence of corruption and instability. Policies that reduce corruption and diffuse ethnic conflict could help avert the worst human development outcomes.

In the face of different potential futures, African governments can begin strategic five-year national planning processes to design “aid exit” strategies by focusing on domestic resource mobilization and tapping international capital markets. This entails a shift from the mindset of aid dependency to seeking alternative means of funding for social and economic development activities.

African states would have to consider certain policy choices to be made over the next 10 years. Most important would be investments into establishing a productive economy, in the capacity of government ministries and private sector or civil society groups to implement development programs. One implication of the “Africa Rising” scenario is that regional cooperation within Sub-Saharan Africa helps differentiate this vision of the future from the other two scenarios. Regional cooperation could include states committing larger budgets and authority to existing bodies like the African Union, the Southern African Development Community,

the East African Community, and the Economic Community of West African States (or new iterations of those blocs). Linking these two trends, efficiently managed investments in leap-frogging infrastructure that cut across borders when necessary would be critical between 2013 and 2022. Domestically, African governments could enhance public financial management to ensure that debts are repaid and new wealth is created.

Resilience to risk emerges as another key consequence of different domestic and global development governance strategies. The African Union and G-20 could take the lead in thinking on a long-term horizon about systematic risks and coming up in advance with mitigation mechanisms. A risk assessment report done by local think tanks in Sub-Saharan African states every year could identify potential threats. If risk management were to be addressed in this way, however, special attention would have to be paid to risks in the fragile states that could be largely marginalized in regional cooperation bodies including the AU. The AU and G-20 discussions would have to include the risks of spillover effects from natural disasters or conflict in fragile states.

INTERNATIONAL ACTORS

At a high level, a new consensus on the purpose and goals of global development cooperation would need to form over the decade. Outdated or unraveling consensus around global development challenges and global governance would hamper progress towards an “Africa Rising” future. One key dimension of this new consensus would be that development partnerships and adequate global and regional governance are regarded as going hand-in-hand.

First of all, there is a need for better coherence across economic, social and environmental policies at the national, regional and global levels. This ensures that non-development policies, such as in trade, do not harm development objectives. A new consensus around investing for mutual prosperity would also have to leave room for a more level playing field in agriculture and manufacturing. For the “Africa Rising” scenario to unfold as described, both trade barriers and volatile capital flows from OECD countries would need to change to reflect (and encourage) a more equitable partnership between countries. Such regulatory changes would necessitate tough policy choices in the US and EU, but might become more likely if domestic budgets remain tight and economic recoveries falter. For example, unpopular reductions in domestic subsidies and trade protections could be tied to more popular promises of expanded investment opportunities, new markets, and an overall gradual reduction in the level of ODA to Sub-Saharan Africa.

Agencies that provide development assistance would then not have incentives to perpetuate aid dependency. They would instead play the role of “enabler” to create synergies between private and public finance. For instance, multilateral development banks could be evaluated based on new criteria for how they leverage limited aid resources to

achieve maximum development outcomes, rather than obsolete evaluation on the basis of how much they disburse in loans and grants. Similarly, the data monitoring system of ODA could be changed in order to increase incentives for donors to leverage alternative financial resources. Traditional donor states would need to share control of existing global governance structures, including the World Bank, IMF, UN agencies, and trade negotiation bodies including the WTO, to increase decision-making for emerging donors and traditional “recipient” countries. In particular, international actors should abolish the so-called “resource” and “borrowing” privileges, which allow illegitimate political leaders to sell natural resources and to borrow money in the name of a country and its people.⁶ These privileges play a crucial causal role in perpetuating poverty, for example by creating incentives for coups d'états and frequent leadership changes that undermine development.

Moreover, it is crucial to complement development cooperation with the provision of global public goods. While the relevance of aid is declining, governance regimes that can manage global public goods are gaining in relevance in light of growing interdependency and threats to economic, environmental, and political stability. A post-2015 agenda for development thus needs to address the various sets of essential global public goods, how they are financed, and which global institutions can be held accountable for their provision. For example, better coordination of natural disaster emergency response could mitigate the lack of a global safety net and make countries more resilient across all three scenarios.

With limited growth opportunities at home, a general strategy for corporations should include addressing environmental and social sustainability. This would mean avoiding imprudent lending and borrowing, as well as taking into account social and

⁶ Thomas Pogge, *World Poverty and Human Rights: Cosmopolitan Responsibilities and Reforms*, 2nd ed. (Cambridge: Polity Press 2008).

environmental impacts. This paradigm shift could be realized by building up internal capacity for risk management, checks and balances, and new standards for impact investing. From a governance standpoint, membership associations could self-enforce standards of financial integrity that include the social and economic development of the communities and countries in which members operate. Private and philanthropic funds could focus on increased resource mobilization within Sub-Saharan African states. In parallel with this domestic fundraising, concerted international efforts could help curb illicit financial flows from African countries.

Finally, multi-stakeholder forums in which developing countries and non-state actors have full seats at the table could help to align priorities and forge mutually beneficial partnerships. Within such forums, the BRICS countries could play a more dominant role, particularly if they coordinate their development partnerships at least informally (to see where, for example, investment in infrastructure by a consortium would be more impactful than investment by a single actor). Regional hubs could also be established to facilitate a mutual learning process tailored to country ownership of the development agenda.

— POLICY RECOMMENDATIONS FOR 2013

Setting aside what observers in 2013 believe to be the most likely trajectory for development outcomes in Sub-Saharan Africa, our scenario building exercise points to policy choices that could shape the future of global development governance and influence that trajectory. After looking at the possible implications of the three scenarios we described, as well as the choices various actors must make in the coming years, we are left with a question: If all three scenarios presented are possible, what can various stakeholders do today to make the positive

outcomes more likely and the negative outcomes less likely?

A few cross-cutting policy recommendations arise from the visions of the future we have imagined. If we find ourselves on any of these three paths to the future – or, indeed, many other possible paths – these policies would promote global development governance that maximizes the potential for social and economic progress in Sub-Saharan Africa.

Strengthen Partnerships for Development

A first set of strategies would be for various stakeholders to take action early in the decade to shift the paradigm of development towards mutually beneficial partnerships on concrete issues, which deepen linkages within Sub-Saharan Africa and between African states and nontraditional sources of development finance and policy, such as a growing cohort of global philanthropists (including from within Sub-Saharan Africa) and civil society.

Regional cooperation comes out as a key difference between achieving positive development outcomes continent-wide or only in those states able to survive “Cut-Throat Competition.” Even under an “Africa Left Behind” scenario, regional cooperation would do no further harm and might mitigate some of the risks. Three concrete areas through which to increase regional cooperation include:

- › African ministries of health should collaborate on disease surveillance and public health infrastructure.
- › Philanthropists and African ministries of education should establish within-Africa education

exchanges to promote not only skills training but also cross-cultural understanding.

- › The AU and new BRICS development bank should cooperate on designing and financing cross-border infrastructure projects, with a particular focus on transportation that facilitates intra-African trade.

Strengthening African civil society also emerges as a cross-cutting solution to some of the challenges of accountability and transparency in domestic governance, as well as the need for inclusive and sustainable growth strategies. Two examples of concrete actions to strengthen civil society are:

- › African think tanks or locally organized discussion forums should host quarterly workshops to enhance citizen participation in policy debates and improve domestic accountability.
- › Entrepreneurs and individuals should strengthen links between diaspora and the continent, for example through the expansion of digital tools like an “African LinkedIn.”

Reform Global Institutions

There is also a need for development-friendly global rules and standards. This requires adapting existing global governance structures in order to increase their capacity to respond to global challenges. The effects of global financial instability, for example, underline that policies beyond aid are crucial for development and that action at the global level is required to supplement national efforts. We need to move towards a more integrated approach where trade, environment and other issues are understood as global public policies that can help or hinder achieving global development objectives. Such a global public policy approach should be taken seriously across the globe – in traditional donor governments as well as in the context of emerging actors. Five examples of institutional reforms that would promote policy coherence and flexible global development governance include:

- › The G20 should be reframed as a Global Economic Council with representation from Sub-Saharan African states to address development goals in the context of broader economic governance.
- › The African Union should set the agenda for the next High Level Forum on Development Effectiveness to create an inclusive space for emerging economies, traditional donors, private sector investors in developing countries, and other stakeholders.
- › Traditional donors should shift their primary forum for coordination from the OECD DAC to a more flexible and inclusive coordination mechanism, perhaps building on the UN ECOSOC Development Coordination Forum.
- › The World Bank and the International Monetary Fund should make both symbolic and substantive moves toward greater representation of emerging donors and developing countries, including widening the pool of candidates for leadership to include more representatives of developing and emerging economies.
- › Any future development agenda should be “climate-proofed,” with the flexibility and resources to ensure that communities can adapt to climate change and are protected against its impact, for example by including indicators of vulnerability and resilience.
- › The G20 should be reframed as a Global Economic Council with representation from Sub-Saharan African states to address development goals in the context of broader economic governance.
- › The African Union should set the agenda for the next High Level Forum on Development Effectiveness.

Change the Development Finance Landscape

One of the largest opportunities highlighted by the “Cut-Throat Competition” and “Africa Rising” scenarios is the potential for more innovative forms of development finance to transform economies across Sub-Saharan Africa. This means a great deal more than “foreign aid,” which already in 2013 sounds like an outdated framework. However, formal and informal governance structures will determine whether new financial flows indeed improve economic and social development in Sub-Saharan Africa or instead generate greater instability. Five examples of policies that stakeholders can

implement before 2022 to promote innovative financing mechanisms are:

- › Entrepreneurs should create citizen-to-citizen cooperative investment schemes, such as internet-based platforms for Citizen Development Assistance (CDA). CDA platforms would use technology to reduce transaction costs and enhance mutual accountability with a much shorter delegation chain: Donors would be able to see the impact of their contributions in near real-time, without filtering through the bureaucracy of a

- traditional aid agency. This would require both technical and policy innovation, building on the groundwork already laid by remittance systems, mobile money transfers, and crowd-sourced project funding.
- › African states should foster a new business model based on the “benefit corporations” already piloted in the United States. Benefit corporations generate positive social and environmental impact alongside a financial return, and could help ensure that rapid growth in Africa does not have to come at the expense of environmental degradation and increased social inequality.
 - › Traditional donors should redefine official development assistance to reflect the broader reality of financial instruments for development. For example, including guarantees and insurance in the calculation of states’ contributions to global development could create incentives to “crowd in” more private financing.
 - › As the scope of development finance options grows, think tanks and multilateral development institutions should provide training on new financing models for African leaders and potential investors. This step would be critical, since the existence of new innovative financial models does not guarantee their use.
 - › African states with the petroleum or other resources to establish sovereign wealth funds should build the institutional frameworks necessary to protect them from negative political interference and ensure that they become engines of national and regional growth. Sovereign wealth funds that invest in social development and cross-border critical infrastructure could be a key factor in setting a trajectory toward an “Africa Rising” scenario, or at least in setting individual states up to be winners under a “Cut-Throat Competition” scenario.

— FELLOWS OF THE GLOBAL DEVELOPMENT GOVERNANCE WORKING GROUP

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APPENDIX 1: SCENARIO PLANNING METHODOLOGY

The methodology underlying this report is one of structured scenario planning. Having increasingly become commonplace among private and public sector organizations, this methodology is designed to facilitate strategic long-term planning in the face of an uncertain future. In order to devise different scenarios, understood to be possible and internally consistent trajectories of the future, we performed

four major steps. First, we collected and investigated variables that are likely to influence the future of international development. Second, we undertook a factor-system analysis in order to distill the most crucial factors. Third, drawing on this analysis, we constructed three main scenarios. Fourth, we derived key strategic implications and policy recommendations.

Key Factor Identification

In this first step we were largely concerned with tabulating the most salient social, economic, and political developments as well as technological and environmental shifts that are likely to significantly shape international development governance throughout the next decade. The list of 40 variables that we collected ranged from the “level of economic growth in China” to “innovations in financial instruments” to “natural disasters in bottom billion states” (see Table 3: List of Influential Factors). After long and energetic

discussions we ultimately narrowed this list of influential factors down to 14 variables, which was necessary in order to conduct a factor-system analysis in the subsequent step. The key factors we settled for stand out in both their potential impact on the future of international development governance and the range of their possible outcomes. Subsequently, we envisioned three possible outcomes for each of these crucial factors in order to complete the factor analysis (see Table 4: List of Crucial Factors).

TABLE 3: LIST OF INFLUENTIAL FACTORS

FACTORS THAT WILL INFLUENCE THE FUTURE OF GLOBAL DEVELOPMENT GOVERNANCE			
Political commitment to development in the EU	Global agencies (UN, Development Banks, etc.)	Political commitment to development in the China	Political commitment to development in USA
Amount of private philanthropy earmarked for development	Readiness of Western countries to take cuts (i.e. agricultural subsidies)	Quality of infrastructure in developing countries	Local government capacity to deliver basic public goods/ services
Access to information	Intellectual property rights	Scientific advances in health	Food security
Quantity of private FDI for developing markets	Rationales for development assistance	Mobile telecom/ communication advances	Energy efficiency technology advances
Quality of private FDI for developing markets	Technical progress in M&E (for measuring aid effectiveness)	Strength and coherence of African regional bodies (AU, ECOWAS, etc.)	Paradigm shifts or new ideologies around development
Emerging middle class	State-building/state capacity	War/conflict	Public opinion about development assistance

FACTORS THAT WILL INFLUENCE THE FUTURE OF GLOBAL DEVELOPMENT GOVERNANCE (CONTINUED)

Level of income and/or economic growth in Africa (and LDCs in other world regions)	Level of income and/or economic growth in China (and other emerging markets)	Trade barriers that impact growth in "bottom billion" states/regions	Policy space/political autonomy of developing countries
Level of income and/or economic growth in the EU	Natural disasters	Migration	Climate change
Level of income and/or economic growth in USA	The actual recipients of development funding (distribution)	Aid dependence (tax base, domestic resource mobilization)	Legitimacy of World Bank and other multilaterals
Accountability	Capital controls	Demography	Democracy

TABLE 4: LIST OF CRUCIAL FACTORS**NARROWING DOWN THE MOST CRUCIAL FACTORS**

Political commitment in EU to development	Quantity of private (for profit) investment flows
Political commitment in US to development	Innovation in financial instruments
State-building/state capacity/state stability & effectiveness	Level of income and/or economic growth in China (and other emerging markets)
Bottom billion relative preference for ODA (vs. other sources of development finance, regardless of their actual availability)	Level of income and/or economic growth in Africa (and LDCs in other world regions)
Natural disasters	Aid dependence (tax base, domestic resource mobilization)
Quality of infrastructure in developing countries (especially ports)	Private philanthropy/CSR/social enterprise/corporations and shared value
War/fragility continuum	Policy space/political autonomy of developing countries

Factor System Analysis

Taking the 14 core factors as our starting point for this second step, we described each factor in greater detail, specified to which actors each applied, and mapped the diverse relationships between all factors. In order to observe relevant interaction effects, we established a matrix and rated "cross impacts" of each factor on all other factors' outcomes. Aided by a computer program (Scenario Wizard), which ran a cross-impact balance analysis in order to distinguish the plausible and consistent sets of factor outcomes from the inconsistent ones,

we ultimately selected three abstract scenario frameworks and labeled them "Africa Left Behind," "Cut-Throat Competition," and "Africa Rising" (see Table 5: Scenario Frameworks). While the diverse factor outcomes are not wholly distinct in each scenario, there are significant differences that account for the divergent trajectories of the envisioned possible futures.

TABLE 5: SCENARIO FRAMEWORKS

Crucial Factor	FACTOR'S OUTCOME IN SCENARIO 1	FACTOR'S OUTCOME IN SCENARIO 2	FACTOR'S OUTCOME IN SCENARIO 3
Political commitment to development in the EU	EU prioritizes other countries development as well as its own	EU prioritizes other countries development as well as its own	EU prioritizes other countries development as well as its own
Political commitment to development in USA	US prioritizes other countries development as well as its own	US cuts all nonmilitary official development assistance	US prioritizes other countries development as well as its own
Quantity of private (for profit) investment flows	Bottom billion countries are not attractive to foreign investment	Bottom billion countries are more attractive to foreign capital as other regions	Bottom billion countries are more attractive to foreign capital as other regions
Level of economic growth in China	High income status	Middle income status	Middle income status
Level of economic growth in Africa	Low income status	Middle income status	Middle income status
Aid dependence	Aid remains essential to the functioning of bottom billion states	Aid does not remain essential to the functioning of bottom billion states	Aid does not remain essential to the functioning of bottom billion states
Quality of infrastructure in developing countries (especially ports)	Dilapidated/poorly managed infrastructure	Leapfrogged infrastructure	Leapfrogged infrastructure
War/fragility continuum	Many/large strategically important (to development finance sources) fragile/failed states	Many/large strategically important (to development finance sources) fragile/failed states	Few/no strategically important (to development finance sources) failed/fragile states
State-building/state capacity/state stability and effectiveness	Majority of states cannot carry out and enforce policies	Majority of states can carry out and enforce policies effectively	Majority of states can carry out and enforce policies effectively
Innovation in financial instruments	Innovative mechanisms (by 2012 standards) not widely used	Innovative mechanisms (Peer to peer lending/direct finance mechanisms) are widely used	Innovative mechanisms (Peer to peer lending/direct finance mechanisms) are widely used
Private philanthropy/CSR/social enterprise/corporations and shared value	Status quo	Paradigm shift in corporate culture and private philanthropy to contribute to development goals	Paradigm shift in corporate culture and private philanthropy to contribute to development goals
Policy space/political autonomy of developing countries	Cannot dictate own policies	Bottom billion countries can define own policies/goals	Bottom billion countries can define own policies/goals
Bottom billion relative preference for ODA	ODA viewed as more attractive than other sources	ODA viewed as less attractive	ODA viewed as less attractive
Natural disasters in bottom billion states	Multiple unpredicted catastrophic events occurred	Multiple unpredicted catastrophic events occurred	Multiple unpredicted catastrophic events occurred

Scenario Construction

After defining three plausible and internally consistent future states of global development governance, we employed a driver/driven analysis, aimed at delivering further insights into the question of which forces primarily influence future developments. In addition, we envisioned and identified key trends and turning points within each scenario, not least in order to account for the fact that future trajectories will not evolve in a linear manner. Based on these processes, we spelled out the dynamics of the three distinct scenarios. To make the scenarios

more compelling, we sought to flesh them out with credible details – names, places, dates that would make the scenarios feel more concrete. We benefited from several rounds of input and critique from a wide variety of experts in the field, which were followed by insightful intra-group discussions and multiple rounds of rewriting, refining and editing. We are grateful to the experts in Berlin, Beijing, and Washington, DC, who generously offered their time to discuss and refine our ideas.

Deriving Strategic Implications

In this final step, we concentrated on identifying the most pertinent challenges and opportunities that may arise in the different scenarios for global development governance. Having pegged potential windows of opportunity as well as stumbling blocks, we derived strategic options to enhance opportunities and counter challenges for each scenario. This was followed by determining the strategic fit between all three possible future trajectories in order to devise a robust lead strategy that would be beneficial across all scenarios. Predicated on this groundwork, we developed concrete policy recommendations for a diverse set of strategic actors, ranging from international organizations to representatives of civil society.

While the scenario planning methodology provided us with a structured approach and enabled us to make certain processes more tangible by quantifying underlying dynamics, the gist of our insights derived from the numerous qualitative interactions it entailed. In that way, a critical reading

of the multifaceted literature on the topic, our interviews with selected experts, and the stimulating discussions among group members all added to the robustness of our scenarios and the policy recommendations they led to. After all, scenario planning is a holistic approach that derives its strength from the diversity of knowledge and insights it can draw on.

— APPENDIX 2: GLOBAL DEVELOPMENT GOVERNANCE TODAY

Where Does Africa Stand Today in Global Development Governance?

We chose to focus in particular on Sub-Saharan Africa to envision the governance of financial flows, as well as the associated institutions, norms, goals, and multi-sector relationships in 2022. While we tend to speak of “Africa” in this report as a whole, we of course acknowledge that Sub-Saharan Africa includes around 50 countries with very different challenges and potentials. Many parts of Africa are rising, boosted by improved economic growth. It is in this context that the African Union is adopting a transformation narrative in the form of its Africa 2063 vision, as a symbol and as a strategic plan to break out of national, regional and continental traps of commodity dependence and geo-political fragmentation.

Yet despite its huge development potential, Sub-Saharan Africa still faces fundamental development challenges. Sub-Saharan Africa as a whole depends significantly more on foreign aid than other regions (see Figure 8). The region’s primary development resources come from domestic general government revenues, with aid as a percentage of gross national income (GNI) declining since 2004 (see Figure 9). The relative importance of ODA has been declining in part due to the greater availability of alternative financial resources (loans from large bilateral development banks, private equity, etc.; see Figure 10).

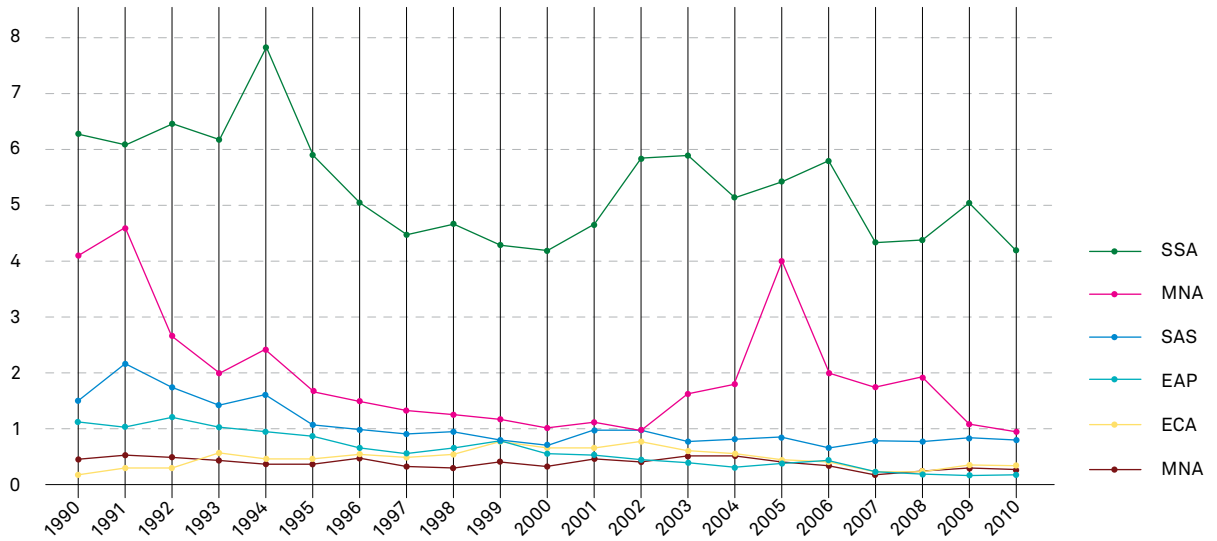
It is worth noting that this overall picture of a continent on the rise should not mask the vast diversity across Sub-Saharan African countries. Despite rising stars like Ghana and Mozambique, many Sub-

Saharan African countries are struggling with fragile economic and political situations, including Chad and Somalia.

Africa is still vulnerable to structural factors that are beyond its control. Volatile exchange rates mean that many countries risk incurring unsustainable external debts. Capital flight has bled the continent. Vulnerability to climate change has the potential to lead to irreversible damage. As shown in Figure 3, private flows are small but growing in Africa, though starting from a low base compared with other developing regions.

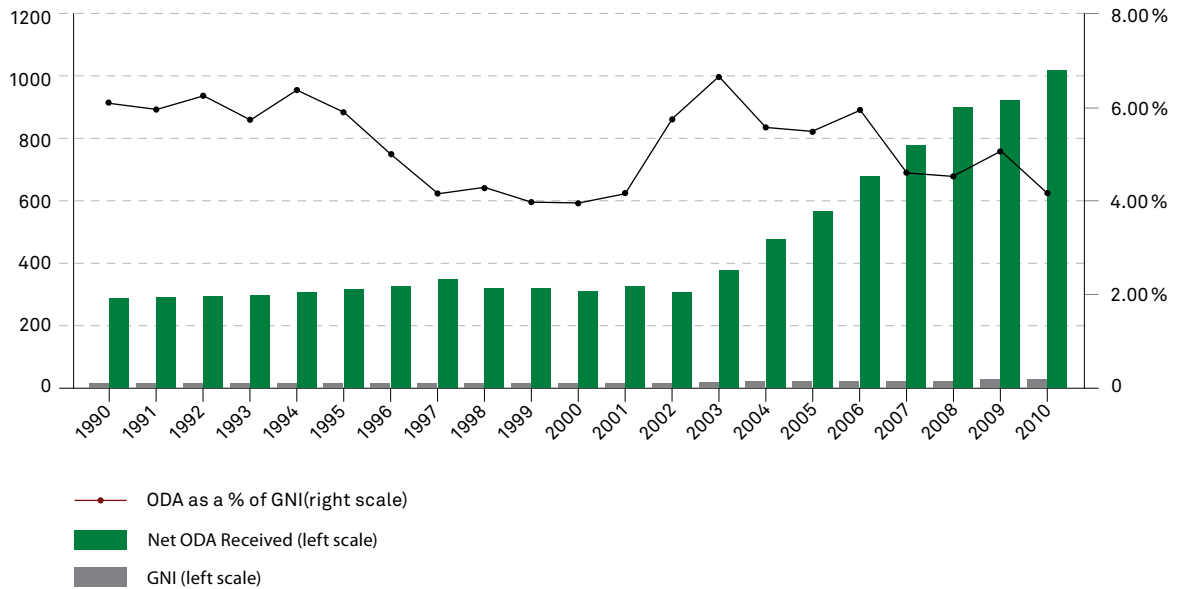
⁷ African Union, “Africa 2063: A vision for an African growth benefiting to all,” 4 April 2013. <http://summits.au.int/en/sites/default/files/PR%2016%20OPENING%20OF%20THE%20EXECUTIVE%20COUNCIL%2022%2005%2013%20rv.pdf>

FIGURE 8: NET ODA RECEIVED AS A PERCENTAGE OF GNI BY REGION IN DEVELOPING COUNTRIES (1990-2010)



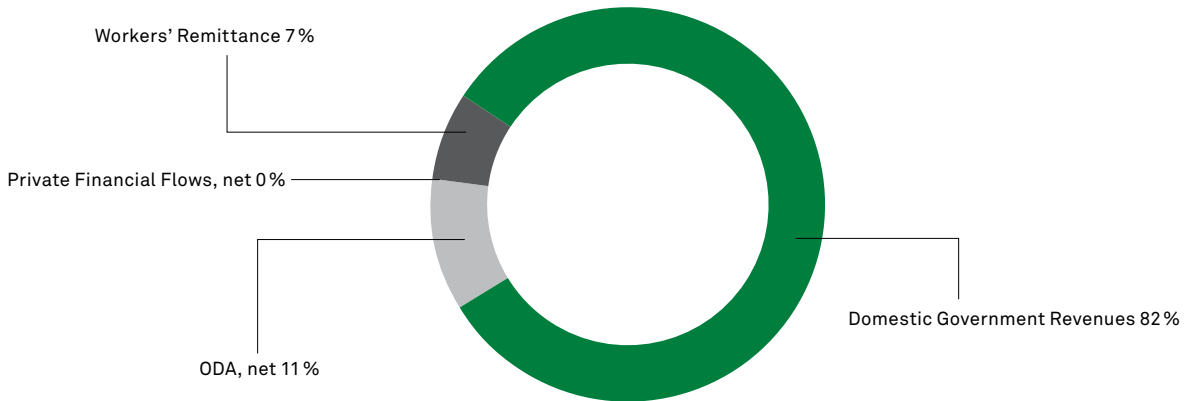
Source: World Bank World Development Indicators; Sub-Saharan Africa = SSA; Middle East and North Africa = MNA; Latin America and Caribbean = LAC; Eastern Europe and Central Asia = ECA; East Asia and Pacific = EAP; South Asia = SAS

FIGURE 9: TRENDS IN AID DEPENDENCE OF SUB-SAHARAN AFRICA



Source: World Bank World Development Indicators

FIGURE 10: COMPOSITION OF DEVELOPMENT FINANCE IN AFRICA (2011)



Data on Official Development Assistance (ODA) is from the Organization for Economic Cooperation and Development's (OECD) Development Cooperation Directorate (DAC) Aid Statistics; data on general government revenue and private financial flows are from the IMF's World Economic Outlook, and data on workers' remittances come from the World Bank's World Development Indicators

