A joint report by the ECA and the OECD at the request of the NEPAD Heads of State and Government Implementation Committee.

Development Effectiveness in AFRICA

Promise and performance: Applying mutual accountability

October 2005

ECA
Economic Commission for Africa

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES
OECD OCDE
ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Development Effectiveness in Africa

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Preface

This first *Mutual Review of Development Effectiveness in Africa* has been prepared jointly by our two organisations at the request of the NEPAD.

In making this request, NEPAD leaders were seeking to establish a way of tracking performance by both African countries and their OECD development partners against the publicly stated commitments that have been made on all sides since the landmark events of the founding of NEPAD, the Monterrey Consensus and the G8 Action Plan for Africa.

Central to this request is the concept of mutual accountability as the basis for constructive on-going cooperation directed at underpinning the emergence of a strong, enduring development dynamic in Africa. The challenge is to transform the image and the reality of Africa—to create, by concerted and sustained action, a well-functioning continent in which the profound challenges which it faces today are mastered and the enormous wealth of natural resources and human potential of Africa are harnessed to eradicate poverty and to spread the benefits of growth in a global economy to all. On the African side, a significant and growing number of countries have signalled their attachment to the principle of accountability by signing up as members of the African Peer Review Mechanism.

The Report presented here is forward-looking. It collects the key commitments made by African nations collectively and by OECD countries in the context of relevant international fora and key G8 processes regarding Africa. It then elaborates a set of Action Frontiers across the range of relevant policy areas—from conflict resolution and democracy to economic management, agriculture and infrastructure development to capacity building and regional cooperation to aid volume and quality. It sets performance indicators for 2007, which imply a major monitoring effort which will need to begin by 2006. The Report will thus provide a ready basis for the monitoring processes under a strengthened African Partnership Forum, as envisaged at the G8 Summit at Gleneagles in July 2005.

The introduction to this report underlines the importance of two central leadership values in realising the objectives of the partnership for African development—performance and accountability. In the context of the massive increase in development effort foreseen in the immediate future in Africa—including a doubling of aid to reach $50 billion by 2010—these values will be crucial to the effectiveness of development co-operation and to its credibility among the publics of African countries and donor countries alike.

Our two organisations are based on high quality statistical and policy analysis, on peer review and on promoting policy consensus based on best practices. In responding to the NEPAD's request to develop a process of mutual review, we hope and trust that this Report will contribute to the widespread practical application of these twin values of performance and accountability in the process of Africa's development.

October 2005

Overview of the *Mutual Review of Development Effectiveness* process

The notion of mutual accountability among development partners for their respective commitments, responsibilities, and performance in pursuit of shared goals was first recognised in the Monterrey Consensus. The *Mutual Review of Development Effectiveness* gives concrete expression to this notion. It was initiated by the NEPAD Heads of State and Government Implementation Committee (HSGIC) and developed by the ECA and OECD jointly over the period 2002–2004. The inaugural *Mutual Review Report* is currently being finalised prior to publication in the last quarter of 2005.

The *Mutual Review* serves as a consultation mechanism between Africa and OECD countries to assess and monitor progress in delivering on commitments and achieving goals. It involves a series of discussions at expert and political levels in various international fora based on the key elements from the seven issue areas:

- commitments that have been undertaken,
- main messages,
- action frontiers, and
- 2007 performance benchmarks, which will be monitored in the next *Mutual Review* process

These elements are being refined and finalised in an iterative process integrating information, views and insights from a number of discussions taking place throughout the early months of 2005:

- the Strategic Partnership with Africa Plenary in January 2005
- two ad hoc experts meetings:
  Paris, 14 February 2005 (DAC)
  Addis Ababa, 21-22 February 2005 (ECA)
- the DAC High Level Meeting in March 2005,
- the African Partnership Forum in April 2005
- a special session, with OECD Member countries, of the ECA Conference of Ministers of Finance, Planning and Economic Development in mid-May 2005 in Abuja, Nigeria.

Following the ECA Conference of Ministers, the Report will be finalised and forwarded to the NEPAD HSGIC and the OECD Council.

Responsibility for the final Report lies with the Executive Secretary of the ECA and the Secretary General of the OECD.

Mandates and Enabling Texts

Excerpt from the "Communiqué" of the 3 November 2002 meeting of the NEPAD Heads of State and Government Implementation Committee (HSGIC)

"In the spirit of mutual responsibility and accountability that is embedded in NEPAD, the HSGIC underscored the need for mutual review of development partners in terms of their commitment to Africa. The ECA and OECD should urgently conclude work on the institutional framework for this review."

Excerpt from the "Communiqué" of the 9 March 2003 meeting of the NEPAD Heads of State and Government Implementation Committee (HSGIC)

"The HSGIC … noted that mutual review of development effectiveness must be comprehensive to cover issues of market access, subsidies, the debt issue and commodity prices. It emphasized the need for policy coherence and harmonization for effectiveness of aid delivery. It … expressed appreciation to the lead agencies and urged them to continue with the work in progress until the …[Mutual Review of Development Effectiveness Report]…is submitted to the Conference of African Ministers of Finance, Planning and Development …. It urged the ECA and the OECD to keep the HSGIC fully updated on the outcome of this process."

Excerpt from the "Ministerial Statement" of the 1 June 2003 ECA Conference of African Ministers of Finance, Planning and Economic Development

"We acknowledge the work undertaken by the ECA in co-operation with the OECD-DAC to establish mutual reviews of development effectiveness in response to the request by the NEPAD Heads of State and Government Implementation Committee. We see this as an important tool for operationalising mutual accountability. We look forward to receiving the first report of Joint Reviews of Mutual Accountability at our Ministerial Conference in 2005 and every two years thereafter."

Decision by the OECD Council, 14 January 2004 [C(2003)246: Note by the OECD Secretary General regarding the "ECA/OECD-DAC "Mutual Review of Development Effectiveness" in the context of NEPAD]

"The Council…endorsed the proposal…to launch the process for ECA/OECD-DAC "Mutual Reviews of Development Effectiveness" in the context of NEPAD… and invited the Secretariat...to undertake, in conjunction with the Secretariat of ECA, the necessary measures to implement the Mutual Review process and to report regularly to the Council on progress."

INTRODUCTION: MUTUAL ACCOUNTABILITY AND THE PROMISE OF AFRICA

The relationship between Africa and its development partners is undergoing radical change. At the centre of this new relationship is the establishment by Africans of the African Union, the NEPAD initiative and the African Peer Review Mechanism. With these new foundations, and with the capacities available in the UN Economic Commission for Africa, the African Development Bank and the emerging active role of sub-regional bodies, Africans themselves are taking charge of defining, analysing and meeting the major challenges facing the continent. These issues range from governance, peace and security to economic and social modernisation, to defeating pandemic diseases—and the roles that women play in all these contexts. The level of engagement and the quality of policy discussion among Africans has evolved enormously over the last few years in all these areas. The locus of intellectual work on African problems is in the process of shifting from international institutions and institutes to Africa. These are clear signs of genuinely African ownership of its political and economic development.

A significant reflection of this affirmation of intellectual and operational responsibility by Africans was the decision in 2003 by the NEPAD Heads of State and Government Implementation Committee to ask the Economic Commission for Africa and the OECD to develop a mutual accountability process in which Africa and its OECD partners could track the implementation of their commitments to development progress in Africa. The NEPAD agreement to launch a biennial *Mutual Review of Development Effectiveness*, and the endorsement of this process by the OECD, are important decisions, on both sides, to embed the new relationship in a concrete process of technical and political level interaction.

The Mutual Review Report presents a range of leading issues and related commitments undertaken by Africa and its OECD partners, along with relevant action agendas either underway or needed to better address these issues and meet the commitments. It does not seek to generate new commitments, but rather to track implementation of commitments already made (allowing that new commitments may emerge from various fora in 2005 and beyond). Thus, the focus is on "Action Frontiers" and on "2007 Performance Benchmarks" in seven major policy areas, each prefaced by a brief overview of commitments undertaken, the main issues, performance to-date and future challenges.[1] Agriculture has been chosen as a special focus area for the 2005 Mutual Review.

This "Executive Package" format is intended to facilitate discussion and systematic tracking at both expert and political levels. It thus constitutes a compact working tool. It provides a reference guide for tracking action agendas and expected progress within the two-year Mutual Review time-frame (recognising, of course, that almost all of these agendas are medium-and long-term in nature). Following its presentation to the ECA Conference of Ministers of Finance, Planning and Economic Development and to AU/NEPAD and OECD governing bodies, the *Mutual Review Report* will be available to the wide range of actors, political and expert, state and non-state, African and non-African, whose involvement and work is essential to the implementation of Africa's political, security, economic and social agendas. While leadership from the top is key, the initiative and engagement from many thousands of public organisations, private enterprises, civil society groups and individuals is what will accelerate the rate of progress across all levels and all geographical regions in Africa.

Mutual accountability has a central role to play at a time when the international community has committed itself to a large step increase in aid to Africa. For a large step increase in aid to be even feasible, both donor and African systems for managing aid must reach a new level of performance. Unless large aid increases are delivered in a useable and predictable form, African governments will be unable to build the expanded human and institutional capacities needed to successfully absorb them and to use this springboard as the basis for higher growth and the achievement of the Millennium Development Goals. And unless African public management systems are able to allocate, and to account for, these new financial resources according to nationally agreed priorities—with visible impacts on the well-being and prospects of their citizens—then neither their citizens nor the taxpayers of donor countries will provide the political

1. The seven major policy areas covered in the Report are: MDGs progress and prospects; African agricultural performance and trade issues; political and economic governance; capacity development; aid flows; aid quality; and policy coherence for African and OECD governments. The *Mutual Review Report* is supported by seven corresponding analytical chapters prepared by the ECA and OECD-DAC Secretariats, to be published in a separate volume (taking account of comments received).

support needed for the sustainability of large increases in aid. The *Paris Declaration on Aid Effectiveness*, adopted on 2 March 2005 by nearly 100 developing and donor countries and international development organisations, with a strong contribution from Africa, sets out the commitments of donor and partner countries to address the challenges of scaling up aid. These commitments and associated quantitative targets form part of this *Mutual Review Report*.

Furthermore, the scaling-up agenda demands high performance on policy coherence issues, both on the African and the development partner side, with government-wide arrangements that work effectively to resolve inconsistent policies and generate synergies among policies. The private sector also has a key role to play in scaling up, as key actors in private-public partnerships for development programmes and service delivery, but also in transforming additional aid inflows into income, employment and public revenue.

In this perspective, two key concepts resonate through this *Mutual Review Report*—performance and accountability. Without accountability, development performance will not improve in Africa. Performance and accountability thus embody basic values to be projected by leaders and integrated into political and economic cultures. These two interrelated concepts also serve as guiding principles for building the capacity of African political and economic processes and institutions.

For African leaders, these values are the values expressed in the AU/NEPAD founding statements—the dedication to development performance as the fundamental objective of their governments and the commitment to fostering capable states. For OECD leaders, performance means following up on commitments they have made across a range of policy areas. Accountability means being ready to assess performance with regard to these commitments and to consider the implications of OECD countries' policies for African development. These OECD commitments are set out in the 2002 ministerial statement on "OECD Action for a Shared Development Agenda", and the simultaneous undertaking to cooperate closely with NEPAD (see annex III).

There is a wide consensus that Africa faces especially challenging development problems. Inadequate services in areas such as health and education, the heavy burden of HIV/AIDS and other diseases, aggravated by poverty, and poor conditions for growth and investment intensify the economic and social challenges. At the same time, there are many countries rich in natural resources, especially mineral resources. But in many of these countries, the democratically accountable governance systems and the peace and security needed to turn these resources into broad-based economic growth and human capital are not yet in place, with some notable exceptions. A significant portion of Africa's wealth has been captured by powerful individuals and transferred abroad. Africa has also lost human capital as educated people unable to flourish in adverse political and economic conditions have moved to other regions of the world. Africa's renaissance requires that financial capital flows into Africa, not out of Africa, and that Africa's human capital is augmented, not drained.

The bold agendas laid out by African leaders in the AU/NEPAD founding statements are aimed at catalysing this African renaissance. These agendas cover many areas of action that need to be addressed simultaneously, by many actors. The mutual accountability process and the *Mutual Review Report* show international commitment to these agendas and to the systematic monitoring of commitments in a constructive, evidence-based dialogue that will help to generate and maintain momentum in aligning promise and performance in Africa's development partnerships.

PART I

MILLENNIUM DEVELOPMENT GOALS: INCLUSIVE GROWTH AND THE ROLE OF AGRICULTURE AND TRADE

Commitments
Main messages
Supporting messages
Actions and benchmarks

MILLENNIUM DEVELOPMENT GOALS: PROGRESS AND PROSPECTS

MDGs Endorsed at the Millennium Declaration, September 2000

C1 **Eradicate extreme poverty and hunger**
- Halve the proportion of people with less than dollar a day.
- Halve the proportion of people who suffer from hunger.

C2 **Achieve universal primary education**
- Ensure boys and girls alike complete primary schooling.

C3 **Promote gender equality and empower women**
- Eliminate gender disparity at all levels of education.

C4 **Reduce child mortality**
- Reduce by two thirds the under-five mortality rate.

C5 **Improve maternal health**
- Reduce by three quarters the maternal mortality ratio.

C6 **Combat HIV/AIDs, malaria and other diseases**
- Halt and reverse the spread of HIV/AIDs.
- Halt and reverse the spread of malaria and tuberculosis.

C7 **Ensure environmental sustainability**
- Integrate sustainable development into country policies and reverse loss of environmental resources.
- Halve the proportion of people without access to potable water.
- By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.

C8 **Develop a global partnership for development**
- Develop further an open, rule-based predictable, nondiscriminating trading and financial system-commitment to good governance, development, and poverty reduction-both nationally and internationally.
- Address the special needs of the Least Developed Countries.
- Address the Special Needs of land-locked countries committed to poverty reduction.
- Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term.
- In co-operation with developing countries, develop and implement strategies for decent and productive work for youth.
- In co-operation with the private sector, make available the benefits of new technologies, especially information and communications.

Commitments by New Partnership for Africa's Development (NEPAD): August 2001

C1 To eradicate extreme poverty.

C2 To place African countries, both individually and collectively on a path of sustainable development.

C3 To halt the marginalisation of Africa in the globalisation process and enhance its full and beneficial integration into global economy.

C4 To accelerate the empowerment of women.

C5 Private sector development.

G8 commitments 2001 - 2005

G8 "Africa Action Plan" provisions undertaken in Genoa, Kananaskis, Evian, Sea Island and Gleneagles regarding fostering trade, investment, economic growth and sustainable development, enhancing knowledge and improving and promoting education and expanding digital opportunities, improving health and confronting HIV and AIDS, improving water resource management, including:
- Commitment to increase support for primary education (Genoa, Kananaskis, Gleneagles)
- "Global Polio Eradication Initiative" (Kananaskis, Evian and Sea Island)
- G8 "Action Plan on Health" (Evian)
- G8 "Action Plan on Water" (Evian)
- G8 "Action Plan on Applying the Power of Entrepreneurship to the Eradication of Poverty" (Sea Island)
- "Global HIV Vaccine Enterprise" to accelerate HIV vaccine development (Sea Island)

UNDG Millennium +5 Summit, September 2005

Undertakings from the outcome of the 2005 Millennium +5 Summit review relating to Development (Section II), in particular relevant commitments set out in the following sections: the Global Partnership for Development; Financing for Development; Quick Impact Initiatives; Education; Employment; Sustainable Development: Managing and Protecting our Common Environment; HIV/AIDS, Malaria, Tuberculosis and other Health Issues; Gender Equality and Empowerment of Women; Countries with Special Needs; and Meeting the Special Needs of Africa.

1

Main messages

MILLENNIUM DEVELOPMENT GOALS: PROGRESS AND PROSPECTS

M1

- Progress in meeting the MDGs is broadly on track in North Africa and the Republic of South Africa. A number of other African countries are now achieving higher rates of growth. But for most African countries, both the income and the human development targets will be out of reach by 2015 unless current rates of development progress and economic growth are sharply improved. Accelerating the speed and depth of the economic and political reforms is necessary to release and channel Africa's vast material wealth and human potential to meet the MDGs.

M2

- Growth is an essential condition to reduce poverty, and the reform agenda needs to be accompanied by a major private and public investment push. At the same time, many African countries must confront large and growing income inequalities. The poverty reduction impact of growth can be amplified by conscious efforts to ensure the poor participate in the growth process. This implies enhancing their access to services, assets and employment and their ability to exercise their voice and their rights.

M3

- Africa is now beginning to address the complex problems that had prevented earlier economic take-off through its African Union/NEPAD policies and programmes and associated regional initiatives and co-ordination.

MILLENNIUM DEVELOPMENT GOALS: PROGRESS AND PROSPECTS

Supporting messages

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SM1
- The prerequisite for Africa to achieve the target for reducing extreme poverty is sustained and rapid growth in the economy. But an improvement in the distribution of the gains of growth among the population is also essential. Some countries can accelerate the pace of poverty reduction if they address both income distribution and growth issues through explicit strategies. For others, the target is attainable even with a slight increase in income inequality provided growth is robust and sustained.

SM2
- Structural factors such as infrastructure, household endowments, and shocks explain much of the slow pace of economic growth and the state of income distribution. African countries need to invest in the development of basic social and economic infrastructure, to allow private firms to expand their market opportunities, and to address geographic poverty traps. Inequality of income can be tackled by increasing opportunities to poor people through access to education, finance and jobs and reduction of income variability. It is imperative to reach rural populations and to give more prominence to agriculture and rural infrastructure, both physical and institutional. The growth and development possibilities for African economies will also depend on successfully addressing the constraints on the role of women in economic and political life. The HIV/AIDS pandemic is a further fundamental problem impacting on Africa's growth and development prospects.

SM3
- There is a growing recognition of the need to develop more comprehensive poverty reduction and growth strategies that integrate the MDGs, provide a greater role for indigenous private sector investment and assign a proactive role to the state to support private sector growth. These strategies should include macroeconomic frameworks that allow for greater fiscal space to finance investments in human and physical infrastructure in support of the MDGs on a sustainable basis, with growing ODA support provided with a strong degree of predictability. They should also provide for stronger domestic resource mobilisation and trade capacity, including the capacity to trade within Africa and to produce for emerging markets in rising Asian states, such as India and China.

SM4
- Good governance will go a long way towards improving economic and social conditions in the region. Capable and accountable states are key to making progress towards the Goals. Improvements in the areas of law and order, peace and stability, security of land tenure, respect for property rights and reduced investment risk, and integrity in the management of natural resource revenues are significantly correlated with growth performance. The growth dividend that may accrue to economic and political governance reform could be particularly substantial for countries emerging from conflict, and those that have had a history of unfettered mismanagement, capital flight, authoritarian rule, etc. Accountability mechanisms and strong civil societies will be fundamental here.

MILLENNIUM DEVELOPMENT GOALS: PROGRESS AND PROSPECTS

Action Frontiers For African Countries	**2007 Performance Benchmarks** For African Countries
• Formulate "second generation" comprehensive and inclusive growth strategies with the MDGs embedded as long-term development targets/goals. Recognise problems of inequality. Reach rural communities and raise agricultural productivity	Comprehensive and inclusive growth strategies with MDGs embedded as key strategic goals will have been formulated and implementation commenced with strong input from African PRS learning networks
• Undertake deep reforms in the areas of economic and political governance, particularly law and order, peace-building, property rights, containment of corruption, and the quality of bureaucracy, which are key to enhancing investor confidence	Meaningful progress in the areas of economic and political governance will have been achieved. Stable and healthy macroeconomic environments maintained and capacity to absorb increased development assistance and to mobilize domestic resources expanding. Improved investor and household confidence indicated by falling capital flight and rising domestic savings. Equality of income and access to services and assets improving
• Improve the quality as well as the coverage of educational opportunities in accordance with Education for All framework	Education for All strategies in place and progress toward access to free universal primary education that meets quality standards.
• Tackle forthrightly the constraints on the economic and political role of women, including human rights, property rights, access to services and political voice.	Evident progress as measured by the UNECA Gender Monitoring Index.
• Comprehensive health sector strategies in place to address health problems of the poor (e.g. maternal mortality, malaria, TB, etc.) including strategies for reducing the incidence of HIV/AIDS and treatment of infected populations.	Health systems clearly strengthened in wide range of countries, with major improvement in access by the poor. Expanding prevention programmes for key killer conditions and diseases and treatment targets for HIV/AIDS patients within reach.
• Give priority to the design and implementation of infrastructural development projects, such as irrigation, fresh water and sanitation, power, transport and communications networks to integrate the economy	Infrastructure investment, policy frameworks and management systems in active growth and upgrading mode
• Create enabling environment for the emergence and development of the private sector	Substantial improvements in the size and diversity of private sector observable

Action Frontiers For OECD Countries	**2007 Performance Benchmarks** For OECD Countries
• Support and assist African countries to develop comprehensive and inclusive growth strategies, with sustained and rapid reduction of poverty as a key outcome	OECD countries providing effective support to country-led comprehensive and inclusive poverty reduction and growth strategies
• Commitments to achieving the MDGs through development assistance, access to markets and other areas of cooperation need to be articulated clearly and followed up with concrete actions	OECD aid commitments and coherent actions on other policy fronts on track
• Major increase in resources for infrastructure investment and associated capacity building for effective governance of infrastructure (optimal choices, effective implementation, ongoing management and maintenance)	Donors supporting multiple infrastructure investment initiatives at community, national and regional levels with appropriate governance and co-ordination structures in place and capacity building dimensions fully identified and integrated
• Meeting the funding targets promised for the Education for All and fast track initiative	Education for All and fast track initiative fully funded
• Increased support for African efforts on womens' human rights and economic and political roles in society	Development co-operation programmes systematically integrating the gender dimension and supporting African efforts to achieve a major opening up of the potential for women's economic and political contribution to African development
• Support for comprehensive health system strategies including human resource requirements. Knowledge transfer for effective management and logistical systems. Agreements on supply of prophylactic and long-term treatments for killer and disabling diseases. Effective incentives to orient medical research to address health priorities in Africa	Viable models for supporting comprehensive health system strategies including human resource implications identified and being replicated. International research agendas impacted to incorporate African needs

Notes

AFRICAN AGRICULTURAL PERFORMANCE AND TRADE ISSUES IN PERSPECTIVE: ACHIEVEMENTS, CONSTRAINTS AND CHALLENGES

Maputo Declaration on increased proportion of national budgets for agriculture, 2003.

Endorsement of NEPAD "Comprehensive African Agricultural Development Programme" by African Heads of State and Government, 2003.

Doha Development Agenda, 2001.

WTO Doha Work Programme, Annex A: Framework for Establishing Modalities in Agriculture.

G8 commitments 2001 - 2005

G8 "Africa Action Plan" provisions undertaken in Genoa, Kananaskis, Evian, Sea Island and Gleneagles regarding fostering trade, investment, economic growth and sustainable development, increasing agricultural productivity, improving water resource management, including:

- G8 "Action Plan on Water" (Evian)
- G8 "Action Plan Against Famine, especially in Africa" (Evian)
- G8 "Initiative on Ending the Cycle of Famine in the Horn of Africa, Raising Agricultural Productivity, and Promoting Rural Development in Food Insecure Countries" (Sea Island)

UNDG Millennium +5 Summit, September 2005

Undertakings from the outcome of the 2005 Millennium +5 Summit review relating to Development (Section II), in particular relevant commitments set out in the following sections: the Global Partnership for Development, Trade, Quick Impact Initiatives, Rural and Agricultural Development, Sustainable Development: Managing and Protecting our Common Environment, Gender Equality and Empowerment of Women, Science and Technology for Development and Meeting the Special Needs of Africa.

AFRICAN AGRICULTURAL PERFORMANCE AND TRADE ISSUES IN PERSPECTIVE

Agricultural Development in Africa

M1

- Agriculture is fundamental for reducing poverty, developing the domestic market, creating value-added in the economy and improving the export performance of African countries. But it has typically not been given sufficient priority by African governments or their development partners. Policies, frequently inappropriate, have failed to produce the intended outcomes, due to internal and external factors.

M2

- The development of African agriculture has been limited by protectionist policies, domestic agricultural support, export subsidies and "dumping" by OECD countries. At the same time, trade liberalisation has offered opportunities for African producers to enter larger markets and provided incentives to increase production. Africa needs to implement and operationalise the necessary supply-side reforms to take advantage of these opportunities. This will require more concerted external support.

M3

- The Comprehensive African Agriculture Development Programme (CAADP), formulated under the auspices of NEPAD/AU, provides a promising framework of policies and priorities for African governments, regional organisations, producers and other private sector actors to realise the potential of African agriculture and for the international donor community to increase their support.

Potential Consequences of Multilateral Trade Reforms on Africa

M4

- Multilateral trade reforms under the Doha Development Agenda could help in confronting Africa's development challenges. But they also present risks and challenges for the region. For these reforms to have a net positive impact on African countries, adequate mechanisms must be put in place to help countries in the region deal with short run adjustment costs. To offset any negative effects from the erosion of preferences, assistance should be provided for effective measures to address the longer term economic and diversification opportunities afforded by trade liberalisation.

AFRICAN AGRICULTURAL PERFORMANCE AND TRADE ISSUES IN PERSPECTIVE

SM1 • Despite a number of shocks and constraints related to both the internal organisation of agriculture and the external environment (trade, climate), African agriculture has made many achievements. One untold story is the persistent decline of malnutrition rates in West Africa, where the production of cereals, food staples and export crops has dramatically increased in the last 40 years. Another is the success of horticultural exports in such countries as Kenya. So, the bleak data on poor overall agricultural performance in Africa may be deceptive.

SM2 • A range of domestic and international constraints holds back agriculture performance in many African countries. They include: ineffective or misguided policies, insufficient levels of investment, poor infrastructure, inefficient use of infrastructure, poor access to agricultural innovation, and recurring climatic and pest risks. Addressing these constraints would greatly increase the chances of unlocking the potential of Africa's agriculture to respond to its food and development needs.

SM3 • African agriculture is seriously undercapitalised as revealed by the Maputo Declaration in 2003. More direct investment and development assistance is needed for improving the supply side, particularly research and development, innovation, irrigation and transport infrastructure in rural areas.

SM4 • Export efforts have been hampered by tariff and non-tariff barriers in OECD countries. Strict phytosanitary standards are presenting new challenges to market entry and competitiveness—but also creating new niche market opportunities. Local agriculture has also often been undermined by subsidised exports from OECD countries, seriously distorting local agricultural markets.

SM5 • Volatile and declining prices for agricultural commodities have been major problems for African countries. Price volatility presents the challenge of finding effective and affordable price stabilisation and insurance mechanisms. Declining international prices intensify the challenge of diversification, raising productivity and adding value through agro-processing and services along the commodity chains. These challenges need to be integrated into the new strategies for a comprehensive structural transformation of African agriculture, and the partnership with the international community needs to be built around these strategies.

SM6 • Many African countries are constrained by the total absence of certain markets, such as those for credit or rural transport. Food-surplus regions thus face difficulties in providing food easily to food deficit ones. As suggested in the Millennium Development Report, more efforts need to be devoted to solving the problem of "missing markets".

SM7 • As recognised in the NEPAD/AU agricultural initiative (CAADP), more co operation is needed to accelerate the integration of African agricultural markets, increasing regional demand for regional products to stimulate supply. African food markets are generally fragmented along sub regional borders, resulting in suboptimal markets and strong incentives for informal trade. Paradoxically, while being largely closed to each other, fragmented regional and sub regional markets are open to imports from outside the region.

SM8 • The reform of both African and international agricultural policies and markets in the framework of the Doha Development Round is essential to providing a correct and stable set of economic signals needed for realising Africa's full agricultural potential.

AFRICAN AGRICULTURAL PERFORMANCE AND TRADE ISSUES IN PERSPECTIVE

Action Frontiers For African Countries	**2007 Performance Benchmarks** For African Countries
• African countries move decisively to fulfill their commitment to increased investment in agriculture and rural development	Investment in agriculture and rural development on clear rising trend, in line with the commitment reached under the Maputo Declaration
• Implementation of NEPAD Comprehensive African Agriculture Development Programme (CAADP) including initiatives to enhance intra-regional trade in agriculture and increase research and development efforts	Progress in implementing NEPAD CAADP
• Establishment of an African-wide schools nutritional programme	Provision of schools nutritional schemes on a national basis
• Promote institutional development in the agriculture and rural sectors, including public and private sector partnerships and facilities for price stabilization and risk insurance, credit, local infrastructure creation and management and extension services	Public and private sector institutions playing effective role in these areas
• Promote public-private partnerships to facilitate the development of contract farming linked to expanding private investment in agro-processing and agribusiness services	Private investment in agro-processing and agricultural services expanding vigorously, associated with strong development of contract farming
• Active participation in international co-operation to offset extreme price fluctuations of key commodities of importance to Africa	The degree of decrease in the variability in international prices of those key commodities

Action Frontiers For OECD Countries	**2007 Performance Benchmarks** For OECD Countries
• OECD countries must deliver substantial reform on the “Three Key Pillars” of agriculture negotiations in the Doha Development Round – market access, export subsidies and domestic support	Extent to which the elimination of export subsidies is achieved, market access is enhanced and domestic support is reduced to effectively curtail impediments to agricultural growth and export prospects of African countries
• Upscaling of aid to the agricultural sector and active support for NEPAD CAADP	Significant increase in aid allocations to agriculture and rural development
• Assist African countries to cope with trade adjustment problems, including those arising from commodity price trends and caused by preference erosion	Adjustment mechanisms identified and financial support mobilised
• Re-evaluate scope and effectiveness of international mechanisms to cope with external shocks caused by extreme price fluctuations of key commodities	Extent of agreement and action on alleviating external commodity price shocks
• Assist African countries to significantly advance their trade facilitation efforts	Increased ODA resources for trade facilitation

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Notes

PART II

GOVERNANCE AND CAPACITY BUILDING: AFRICA'S CRITICAL FRONTIER

Commitments
Main messages
Supporting messages
Actions and benchmarks

POLITICAL AND ECONOMIC GOVERNANCE: CHALLENGES OF BUILDING THE CAPABLE STATE

African Union: NEPAD Foundation Document (Article 79), 2001

"It is generally acknowledged that development is impossible in the absence of true democracy, respect for human rights, peace and good governance. With the New Partnership for Africa's Development, Africa undertakes to respect the global standards of democracy, the core components of political pluralism, allowing for the existence of several political parties and workers' unions, fair, open and democratic elections periodically organised to enable the people to choose their leaders."

AU/NEPAD on governance, Inaugural Summit of AU in Durban: Declaration on Democracy, Political, Economic and Corporate Governance (Article 8), 2002

"We believe in just, honest, transparent, accountable and participatory government and probity in public life. We therefore undertake to combat and eradicate corruption, which both retards economic development and undermines the moral fabric of society."

G8 commitments 2001 - 2005

G8 "Africa Action Plan" provisions undertaken in Genoa, Kananaskis, Evian, Sea Island and Gleneagles regarding promoting peace and security and strengthening institutions and governance, including:

- G8 Declaration on "Fighting Corruption and Improving Transparency" (Evian)
- G8 "Support to AU Peace and Security operations (Evian)
- "Joint Africa/G8 Action Plan to Enhance Peace Support Operations and Capacity in Africa"(Evian, Sea Island)
- "Transparency Compacts" (Sea Island)
- G8 "Action Plan on Asset Recovery" (Sea Island)

UNDG Millennium +5 Summit, September 2005

Undertakings from the outcome of the 2005 Millennium +5 Summit review relating to Values and Principles (Section I) and Development (Section II), in particular relevant commitments set out in the following sections: the Global Partnership for Development, Gender Equality and Empowerment of Women and Meeting the Special Needs of Africa.

POLITICAL AND ECONOMIC GOVERNANCE: CHALLENGES OF BUILDING THE CAPABLE STATE

Part I. Political Governance

M1
- There have been remarkable strides over the last decade towards good governance in Africa. And there are promising examples of peace and reconstruction processes in train. But major challenges still limit the consolidation of democracy and good governance. Vital institutions remain weak in some states. And violent conflict remains a serious threat to political and economic progress in a number of countries.

M2
- One of the fundamental challenges facing Africa in fostering good governance is building the "capable state". The "capable state" creates an enabling environment for economic growth and its equitable distribution and it promotes efficient and effective delivery of public services. Above all, it guarantees a fair and open political system as well as peace and security, essential for sustainable development. The "capable state" must, in addition, bridge the institutional dualism whereby the majority of the population, residing in rural areas where the reach of the state is weakest, continue to adhere to traditional institutions. The emergence of a strong civil society and private sector are basic features of a capable state and essential to its legitimacy and effectiveness.

M3
- Four strategic dimensions of governance are key to fostering the "capable democratic state".
  - Strengthening the elements of democratic pluralism and electoral competition.
  - Facilitating the accountability and transparency roles of public institutions and private sector and civil society organisations.
  - Enhancing the effectiveness and efficiency of the public service delivery systems, both national and local, and
  - Rebuilding the capabilities of failed or post-conflict states.

Africa's progress on these fronts is being tracked by the 2005 African Governance Report, which is also fostering open discussion on governance issues in Africa.

M4
- Developing the relationship between performance and accountability is essential for development progress in Africa. Traditional African governance values can be drawn on in this endeavour. The success of political governance in Africa will require reconciling formal and informal institutions, especially in such areas as property rights, land administration, conflict resolution and popular participation. This needs to be shaped in ways that ensure gender equality, democracy and respect for human rights.

Part II. Economic Governance

M1
- African countries are increasing committed to good economic governance through improved macroeconomic stability, public finance management, accountability, resource mobilisation and financial and monetary institutions. With better domestic policies, many countries in the region have improved their economic progress since the mid 1990s, and a number have sustained significant rates of growth and over recent years.

M2
- To deepen the reforms and pave the way to higher and sustained growth, African governments must strengthen their capacity to better manage and mobilise scarce resources including through improved fiscal regimes and revenue collection, and to further enhance the formulation, implementation, monitoring and evaluation of economic policies and regulations. Promoting a welcoming and efficient investment climate and enhancing trade competitiveness must also be central concerns for economic governance in Africa.

POLITICAL AND ECONOMIC GOVERNANCE: CHALLENGES OF BUILDING THE CAPABLE STATE

Part I. Political Governance

SM1
- The 2005 African Governance Report identifies priority areas for action in building capable and accountable states. The ten priority areas identified are: strengthening the capacity of Parliaments to perform their core functions; deepening legal and judicial reforms; improving public sector management; improving the delivery of public services; removing bottlenecks to private enterprise; tapping the potential of information and communication technologies; fostering credible and responsible media; maximising the contribution of traditional modes of governance; confronting the governance dimension of HIV/AIDS; and getting partners to live up to their commitments.

SM2
- Although structural adjustment programmes promoted better fiscal management, they weakened the state's capacity to deliver public goods and services. This was because they did not pay enough attention to state capability, including social service delivery, law and order, public goods and effective market regulation.

SM3
- Most African governments acknowledge the link between strong public sector institutions and good governance. Strong, efficient and accountable public administration systems are a prerequisite for establishing and entrenching a culture of accountability and transparency in the management of national affairs. This requires capacity development strategies that explicitly take account of the capacity requirements of civil society and the private sector (see chapter 4).

SM4
- Most governments are shifting from centralised and top-down administration to different models of decentralisation that can facilitate the devolution of power as a means of giving voice and power to the people and bringing government closer to them.

SM5
- Fragile states weaken regional and global security and face significant challenges in making progress towards the Millennium Development Goals. To assist effectively their development, the international community needs to apply coherent, country-specific policy approaches.

SM6
- In relation to conflict prevention, conflict resolution and peace-building, Africa is already taking steps to meet the commitments it has made in the context of the African Union, Regional Economic Communities and as part of the NEPAD. Support has been promised by the major bilateral and multilateral donors. Particular challenges remain in the practical implementation of security system reform and in combating the proliferation of small arms and light weapons. Approaches that use local cross-border public, private and civil society sector networks are an innovative way to engage in fragile states and in post-conflict situations.

SM7
- Peace and security and other regional public goods (such as trade opportunities, infrastructure) are closely linked. In a continent with more than fifty countries, this implies streamlining and consolidating a broad range of regional economic institutions into a coherent, interactive and strategic whole. Further articulating and strengthening the responsibilities and capacities of the African Union/NEPAD and the Regional Economic Communities in conflict prevention and peace-building and in upholding democratic governance principles has to be a central priority for Africans and the international community.

POLITICAL AND ECONOMIC GOVERNANCE: CHALLENGES OF BUILDING THE CAPABLE STATE

Part II. Economic Governance

SM1

- More reforms are needed on the policy front. Even for African countries that have made progress in policy reforms, obstacles may continue to block implementation. Given the state of development and resource constraints, policy intentions are sometimes attempting too much and may prove difficult to carry through. There are also instances where policy reforms lack depth and clarity, resulting in implementation failures.

SM2

- Efforts have been made to establish institutions that promote transparency, accountability, efficiency and effectiveness (such as Offices of Auditor General, Ombudsman, and autonomous central banks). Preliminary indications point to the need for more societal and political support in order for these institutions to be effective. This also applies to ensuring, with donor support, the effectiveness of anticorruption strategies, including the transparency of natural resource revenues, the curtailment of fraud and money laundering, and the recovery of stolen assets.

SM3

- With the prospect of a major scaling up of aid flows, the frameworks for and quality of public expenditure management and accountability in Africa become critical. The key will be to bring aid flows into comprehensive medium-term expenditure frameworks (MTEF) tightly linked to national development priorities and strategies and to annual budget processes. Parliamentary oversight of budgetary processes is currently weak in most African countries and will need to be invigorated. Other transparency and accountability mechanisms—at all levels of government—will also need to be created and/or reinforced. All this implies a much more proactive role for governments and societies in aid management, contrasting sharply with the passive and piecemeal approaches of the past (see chapters 4, 5 and 6).

SM4

- Efficient and effective public sector delivery systems of social services are crucial. Africa will have to carefully design social policies, establish clear priorities and ensure effective delivery mechanisms to targeted groups. Adoption of results based public management approaches can play an important role in this regard.

SM5

- Growth must be private sector-led. This implies that African governments must clearly signal, both in discourse and in actions, that creating a propitious investment climate for the private sector is a fundamental objective of public policy. Effective policy frameworks for dynamic private sector growth must catalyse i) medium and small enterprises in an expanding formal sector that facilitates the inclusion of informal enterprises, ii) appropriate financial and business services, and iii) foreign direct investment bringing managerial and technical skills that help to upgrade the whole economy. African efforts to supply growing export markets in Asia, particularly China and India, can provide a powerful stimulus to domestic private sector growth and commodity prices. In addition to legislative reforms, a good environment for private sector growth requires investment in infrastructure (ports, roads, energy, telecommunications). Given meagre resources at the disposal of many African governments, investing in infrastructure will require tremendous resource mobilisation efforts, coupled with efficient and effective use of existing resources.

SM6

- Robust corporate governance regimes (both national and international) and associated guidelines, standards and codes of conduct are indispensable for ensuring that national wealth generated by private sector growth accrues to the benefit of all. It is also crucial that the private sector, including foreign investors, contribute to peace and stability and environmental sustainability. The private sector has a large interest in, and a responsibility for, the quality of its human resources—this extends to crucial health and safety issues, notably helping to manage the HIV/AIDS pandemic, which is decimating the ranks of qualified workers and professionals.

POLITICAL AND ECONOMIC GOVERNANCE: CHALLENGES OF BUILDING THE CAPABLE STATE

Action Frontiers For African Countries	**2007 Performance Benchmarks** For African Countries
• Consolidation and extension of progress with establishing capable democratic states, based on democratic institutions and processes with increasing roles for legislatures, civil society, women, local government and traditional governance systems	Progress in deepening and extending good governance across Africa. Monitoring of African governance continued through peer learning processes, including the ECA's African governance monitoring work. Steady progress in implementing the African Peer Review Mechanism, taking account of time requirements for participation and learning and adequate resourcing
• Investment and commitment for strengthening the rule of law, including independent and efficient judicial and commercial justice systems and police and penal system reform	Clear improvements in rule of law widely observed. Reform and upgrading programmes in justice, policing and penal systems making progress
• Continue to strengthen the respective capacities of the African Union and the Regional Economic Communities to prevent, anticipate and respond to conflict, and to support peace based on AU and NEPAD founding principles. Strengthen national capacities to frame and implement comprehensive approaches to security system reform	AU and RECs playing effective roles in conflict prevention, peace keeping and peace building. The NEPAD post-conflict reconstruction framework is established and operative. Collaboration with development partners on principles of action on security system reform established
• Carry further the improvement of economic management and public financial systems. Extend use of multi-year planning and budgeting frameworks (MTEFs) with strong expenditure assessment and review processes and effective accountability through Parliaments and transparency of government expenditures for wider publics	Sound economic and public financial management consolidated with growing international recognition of Africa's efforts and achievements in this domain. MTEFs providing effective instruments for planning, oversight and control of public expenditures and planning and managing major increases in aid resources. Parliamentary oversight and other accountability mechanisms functioning effectively
• Strengthen systems for increasing transparency and countering corruption, including in natural resource management (e.g. "conflict resources", Extractive Industries Transparency Initiative, etc.), tax regimes, banking supervision and corporate governance	National and international transparency initiatives effectively stemming leakage of national resources to private ends
• Give clear political leadership for the creation of a dynamic and competitive private sector based on stable and efficient policy frameworks, increasing trust and effective dialogue, and improved access to services and resources	Positive transformation of Africa's investment climate increasingly recognised
• Focused efforts to improve Africa's regional and external trade performance including the supply of intellectual capital via upgraded higher education and centres of excellence as the basis for creating value-added production in manufacturing, services and agriculture. Establishing policy fora with broad-based participation to establish and implement national and regional trade development agendas, including for the creation of appropriate commercial and physical infrastructures	Clear improvements in Africa's trade competitiveness as measured by the ECA's Trade Competitiveness Index

POLITICAL AND ECONOMIC GOVERNANCE: CHALLENGES OF BUILDING THE CAPABLE STATE

Action Frontiers For OECD Countries	**2007 Performance Benchmarks** For OECD Countries
• OECD DAC Members provide broad and coherent support for African countries' democratic agenda	Results of APRM and the African Governance Report followed up with support provided in the framework of country-owned and -led strategies for enhancing governance capacities and institutions and strengthening democratic pluralism, including through local government, women's participation and traditional governance systems
• Ensure effective coordination and cooperation among donors and international institutions in support of conflict prevention (including control of small arms), peace-building efforts and security system reform, with government-wide approaches integrating diplomatic, security and development policies	OECD countries effectively supporting AU conflict prevention and peace-building instruments and capacities. DAC Members have agreed guidelines for working with fragile states and are working in collaboration with African institutions and countries on principles for security system reform. Strengthen transfer controls on small arms.
• Support transparency and anti-corruption initiatives including strong commitment of both public and private sector actors. Early ratification of the UN Convention Against Corruption. Proactive efforts to identify and recover stolen assets for development purposes. Develop guidance for companies working in weak governance zones. Enhance support for EITI and for its implementation	OECD countries making effective contribution to transparency initiatives. UN Convention on Corruption ratified by all OECD countries. Systematic and robust efforts to help identify and recover stolen assets. OECD guidance for companies operating in weak governance zones adopted. Increased support anchoring EITI across the continent
• Work intensively with African partners to promote transformation of the African investment climate and private sector performance including through joint initiatives/compacts	Joint initiatives/compacts functioning effectively with relevant policy communities sharing good practices and helping resolve bottlenecks
• Assist African countries in policy and technical areas such as foreign investment policy, corporate governance, competition policies, financial market regulation, tax systems and accounting standards	Technical assistance, capacity building and good practice-sharing in these areas ongoing and judged as effective by African partners

Notes

CAPACITY DEVLEOPMENT

NEPAD founding statement, October 2001

paragraph 56, “We are, therefore, asking the African peoples to take up the challenge of mobilising in support of the implementation of this initiative by setting up, at all levels, structures for organisation, mobilisation and action.”

OECD DAC policy statement on *Development Co-operation in the 1990s*, 1992

paragraph 168, “The nature and quality of technical assistance will often have to be significantly rethought and upgraded to contribute better to longer-run institution-building requirements.”

G8 commitments 2001 - 2005

G8 “Africa Action Plan” provisions undertaken in Genoa, Kananaskis, Evian, Sea Island and Gleneagles regarding strengthening institutions and governance and promoting education and expanding digital opportunities.

UNDG Millennium +5 Summit, September 2005

Undertakings from the outcome of the 2005 Millennium +5 Summit review relating to Development (Section II), in particular relevant commitments set out in the following sections: the Global Partnership for Development;l Trade; South-South Co-operation; Education; HIV/AIDS, Malaria, Tuberculosis and other Health Issues; Science and Technology for Development; and Meeting the Special Needs of Africa.

CAPACITY DEVLEOPMENT

M1
- Developing capable states—able to achieve appropriate and sustainable development outcomes in an environment of peace and security—is the key to driving and sustaining Africa's development agenda. African states and their development partners have to build the human and organisational capacities of state and non state institutions for enhanced development effectiveness. The ECA Africa Governance Report shows that many African countries have addressed institutional capacity deficits, albeit with varying success. Almost without exception, capacity for development effectiveness remains a major challenge across the continent.

M2
- African governments must provide strategic visions, based on the socio political context of their respective states, as a means of engaging a wide range of actors in the ownership and evolution of capacity development agendas. Building on efforts such those under AU/NEPAD, new approaches require a significant change in habits and mindsets of African countries. Both African countries and their partners must move towards holistic national capacity development strategies that address the needs of not only state actors but also non state actors and institutions. National strategies must pragmatically address indigenous capacity development, full exploitation of untapped national/regional capacities, retention of skilled manpower and reversal of the brain drain.

M3
- The capacity development strategies and interventions of development partners must be guided by the imperative to strengthen the systemic capacities of countries and sub-regional bodies to assume meaningful ownership of their development agendas. Partners must provide harmonised and predictable support around the key priorities in this holistic approach and ensure that technical assistance programmes and projects promote synergies and sustainable local capacities.

M4
- All this requires well-defined objectives and strategies, conceived and sustained through regular joint review of aims, methods and resources. It also requires that African states and their partners maintain an enabling environment conducive for capacity development—through sustained commitment to good governance and democracy.

CAPACITY DEVLEOPMENT

SM1

• In the absence of strong national visions and values, performance- and integrity based institutions have faced an uphill struggle in Africa, with state organs sometimes reflecting political patronage and predatory behaviour rather than long-term economic rationality and the maximisation of human welfare. Intellectual capacity has been developed created but often lost to the diaspora, leaving African states without sufficient resources to deploy their own solutions to problems and dependent on external analytical, policy and management advice.

SM2

• The capable state requires a broad based commitment to the values of performance and integrity, allied to a strong and comprehensive vision of an inclusive development process and a regional security system. With the AU/NEPAD founding statements, African states have provided themselves with a compass to guide their own policies and actions and those of other key actors—business and professional people, local government and grassroots organisations, trade partners and foreign investors and donors. The African Peer Review Mechanism provides a means for Africn states to review their own progress towards implementing their goals.

SM3

• Capacity is built within a broad institutional environment that constitutes the “rules of the game”. So, capacity development, in addition to enhancing skills, systems and procedures, needs to address crucial institutional reforms, such as the reform of laws and incentives that shape the behaviour and effectiveness of organisations.

SM4

• Some governments may wish to have more or less detailed national plans for capacity development. But the key requirement is to generate sustainable systems and processes that evolve continually and dynamically, capturing the energies and knowledge of all stakeholders, and fostering the status and participation of women. Capacity is also crucial at the regional level, where the vision embodied in the AU/NEPAD will require stronger sub-regional institutions. Drawing on the analysis and proposals in the synopsis of the 2005 *African Governance Report*, the major objectives should be to:

- Foster a properly paid, professional, results-based civil service, capable of delivering appropriate public management services, including policy advice based on quality national statistics, and harnessing the knowledge of stakeholders.
- Strengthen the institutions for democratic governance and accountability, notably i) parliaments and the legal system, and ii) well-functioning, equitable and gender supportive traditional forms of governance that promote performance and accountability at the local level.
- Reform laws and regulations (often dating from colonial times) to greatly increase the scope for initiative and enterprise in the private sector, in civil society, in local government and grassroots organisations.
- Provide a hospitable environment for the development of intellectual capacities, through: effective demand for the services of highly educated people and artists; policy and scientific research institutes based on excellence and attuned to national priorities; the underpinnings of freedom of speech and free movement; and a free and responsible media.
- Rationalise and strengthen regional and sub-regional institutions to provide effective regional capabilities under the AU/NEPAD umbrella, in such key areas as conflict resolution and security systems, trade development, infrastructure, economic, monetary and financial policies, migration, and science and technology.

CAPACITY DEVLEOPMENT

SM5
- In aid dependent countries there is a strong relationship between aid predictability and capacity development. Short-term commitments are generally very unpredictable, due to budgetary rules and precautionary constraints in donor countries. This makes it difficult for partner countries to create sustainable capacities for expanded health or education systems. In the context of a major scaling up of public investments to meet the MDGs or deal with the HIV/AIDS crisis, a step change in the time horizons of aid commitments will be essential. Countries need to be able to count on reliable increases in aid revenues to support an expansion in recurrent costs until such time as their domestic revenue has caught up. The increase in public spending on human and physical capital should improve growth prospects and thus the revenue base over time. But this is likely to take a decade or more. And major issues—such as pay for scarce professionals and narrowing gaps in the supply of such skills through immigration policies and foreign volunteers—will need to be confronted. This implies a close relationship between coalitions of donors and African governments based not on conditionality but on trust and results-based accountability.

SM6
- The objectives and approach of the Partnership for Capacity Building in Africa (PACT) remain as centrally relevant today as when conceived at the end of the 1990s. It is now time to take up this agenda and bring it into practice. The approaches set out in the PACT require a holistic view of capacity development, with system-level objectives and appropriate forums for the joint assessment of capacity development interventions across the development agenda.

SM7
- African-driven agendas and learning processes can, in this context, be powerful agents of change. The recently established Network of African Public Service Ministers offers a model of this kind. Other policy communities are actively developing their own networks and working methods in such areas as urban management, public budget management, trade policy and trade capacity, statistics and procurement, signalling a growing trend.

CAPACITY DEVLEOPMENT

Action Frontiers For African Countries	**2007 Performance Benchmarks** For African Countries
• Create a national vision, and identify key capacity needs in each country. Establish national capacity building missions and strategies, addressing systemic issues and involving non-state actors in line with the principles of the Partnership for Capacity Building in Africa (PACT)	African national capacity building missions and strategies widely available and actively used as reference point by state and non-state actors, PACT reactivated
• Ensuring a better environment for capacity development in the private sector and civil society through the reform of laws, regulations and processes that allow for freedom, initiative and widespread creativity	Rule of law, human rights, property rights, simple legal processes for business, and public order and safety widely established
• Establish a monitoring process which captures progress in addressing the basic systemic issues at the heart of capacity building	Some initial capacity development monitoring reviews focused on systemic issues completed
• Improve the performance of governance institutions-e.g. legislative, judiciary, and executive	The modernisation of the operations of these governance institutions advancing, including training and manpower development policies. Parliaments and judiciaries providing effective accountability
• Foster an open intellectual environment as a basis for retention and return of educated Africans and the creation of national and regional capacities in social and natural sciences, ICTs, creative professions etc. needed for competitive, value-added economic development paths	Clear recognition of a fertile environment for intellectual capital formation in Africa, with increases in centres of excellence, intellectual freedom and discourse, scientific and technical innovation, interaction with the diaspora, and the creative professions contributing to product differentiation and appeal, marketing prowess, and cultural exports. Increased investment in the education sector and adequate remuneration for skilled personnel
• Reform of the civil service with better working conditions and environment, professionalism, and good performance appraisal systems	Strengthened capacity of the civil service, and service delivery performance clearly improving in line with MDG targets
• Strengthen and/or establish Africa-wide mechanisms for mutual learning among African policy communities, such as the ECA-sponsored African Learning Group on the PRSPs	African learning networks flourishing

CAPACITY DEVLEOPMENT

Action Frontiers For OECD Countries	**2007 Performance Benchmarks** For OECD Countries
• Bringing donor approaches to capacity development into line with PACT principles, building assistance on national initiative and ownership. Support systemic strategies for capacity building, notably by engaging in dialogue with governments and non-state actors on systemic issues	Donor buy-in to African national and regional strategies on capacity development. Systemic level dialogues established
• Support holistic capacity-building programmes by African countries at the national, regional and local levels and in sector-wide programmes	Number of multi-donor programmes supporting holistic capacity building efforts in African countries and sub-regions
• Follow good donor practices on technical assistance and capacity building, avoiding modalities that undermine the creation of systemic capacities in partner countries e.g. salary supplements should only be provided in the context of a comprehensive civil service reform.	New guidance for assisting capacity development adopted in bilateral and multilateral agencies and widely influencing practice, building on 1992 DAC Guidelines on New Orientations for Technical Assistance
• Fully use African analytical capacities in governments, universities, policy institutes, think tanks and locally-based consultancy firms. Support provided for ACBF work on policy institutes and academic networks alongside expanded assistance to university faculties and other higher education and research institutes. Assure peer review and accountability in capacity development performance and outcomes	Centre of intellectual capacity on African issues shifting from offshore institutions to Africa, with clear change in donor sourcing of analytical work. Support for broad-based intellectual capacity building with strong quality assurance/incentives and arrangements for peer review
• Supporting new regional processes on capacity enhancement in African countries and African efforts to strengthen and streamline regional institutional arrangements	Effective support for regional capacity within APRM, NEPAD, AU, ECA and the RECS and as regards their initiatives in the areas of governance, security systems, infrastructure, trade and investment, agriculture and reform of regional institutional arrangements
• Cooperation with African countries to help stem the brain drain problem	Development or support for specific programmes to encourage return and contributions of intellectual and business skills of the African Diaspora
• Recognise linkages between predictability of aid flows and developing country system-building	Increased public management capacity of African countries in line with scaled up resource flows
• Support African learning processes and programmes/principles that emerge from these processes	African learning processes encouraged with discreet assistance on request. Outcomes of African learning processes influencing donor policies and practices
• Participate in monitoring processes established by African countries	Contribution by donors to successful launching of capacity development monitoring reviews

PART III

AID QUANTITY AND QUALITY: SCALING UP AND IMPLEMENTING THE AID REFORM AGENDA

Commitments
Main messages
Supporting messages
Actions and benchmarks

AID FLOWS: MAKING AID AVAILABLE TO GENERATE DYNAMIC AFRICAN GROWTH AND ACHIEVE THE MDGS

Monterrey Consensus, 2002

"41. We recognise that a substantial increase in ODA and other resources will be required if developing countries are to achieve the internationally agreed development goals and objectives, including those contained in the Millennium Declaration."

Monterrey and post-Monterrey announcements by individual DAC members on increased ODA.

G8 commitments 2002 - 2005

Kannaskis G8 Summit undertaking to provide 50 per cent of ODA increases from G8 countries to Africa.

Gleneagles undertaking to increase ODA to Africa by $25 billion per annum by 2010 and to cancel 100% of outstanding obligations of eligible HIPCs to the IMF, IDA and African Development Fund while ensuring the sustainable financing capacity of IDA and the ADF.

UNDG Millennium +5 Summit, September 2005

Undertakings from the outcome of the 2005 Millennium +5 Summit review relating to Development (Section II), in particular relevant commitments set out in the following sections: the Global Partnership for Development, Financing for Development, Debt and Meeting the Special Needs of Africa.

Main messages

AID FLOWS: MAKING AID AVAILABLE TO GENERATE DYNAMIC AFRICAN GROWTH AND ACHIEVE THE MDGS

M1

- Significant increases in aid flows to Africa have been promised. Commitments have been made that will double Africa's aid receipts by 2010. This major increase in aid, including the 100% cancellation of outstanding debt to international financial institutions for eligible countries, will be essential to support growth-oriented macroeconomic policies and to underpin the massive upgrading of physical infrastructure and human capital required to generate a strong and sustained pro-poor economic dynamic in Africa. While there are pressing and legitimate needs for increased aid in a number of regions of the world, African financing needs must remain central in donor decisions on the size and allocation of their development assistance.

M2

- Eventually dynamic African economies will provide the basis for more self-reliant and market-based development financing. African governments need to envisage development finance scenarios in which domestic resource mobilization and intermediation plays a growing role, creating a path to eventual financial sustainability. Even as aid flows build up rapidly, they will need simultaneously to strengthen domestic tax and financial systems to capture growing domestic revenues and savings streams into the future.

M3

- Country-owned development financing scenarios should also seek to evaluate different aid channels and instruments on the basis of objective assessments of comparative costs and benefits, so that African governments can proactively lead and manage their development finance patterns and relationships.

AID FLOWS: MAKING AID AVAILABLE TO GENERATE DYNAMIC AFRICAN GROWTH AND ACHIEVE THE MDGS

SM1
- Donors will need to generate and maintain the level of domestic political support required for a substantially increased and sustained aid effort over the medium- and long-term. And African aid recipients will need to accept an interim increase in aid dependence.

SM2
- The required increases in aid will need to be provided and managed in a predictable way on a medium-term basis that supports the emergence of local management capacities. This has major implications for the instruments and channels of aid used by donors—and for the links between aid provision and developing countries' budgetary planning, processes and accountability systems. The dialogue between donors and their African partners will need to evolve markedly in this regard, on the basis of medium-term expenditure frameworks (MTEFs).

SM3
- Absorption issues will need to be addressed by both communities. Both face major challenges implicit in ongoing aid reform (see Chapter 5 and 2005 Paris Declaration on Aid Effectiveness). Donors will need to increase their disbursement capacities through gearing up human resources and streamlining processes in their agencies. African countries will need to strengthen their analytical and administrative capacities to take the lead in development and aid management in their countries.

SM4
- The implied patterns of aid will also need to evolve markedly. Until now, under current aid modalities including a high share of technical co-operation, only 30%–50% of ODA enters the budget frameworks of African public expenditure managers. Under a scaling up scenario, a much higher percentage of ODA should be reported on partners' national budgets

SM5
- While debt sustainability has not been achieved, multilateral debt cancellation has provided fiscal space for development expenditures. But the financing requirements of many African countries are such that debt service would effectively need to be financed by new donor resources in the short- and medium-term. One hundred percent cancellation of multilateral debt will cut out these circular flows and open up new fiscal space. Donors should avert a new build-up of debt by providing grants rather than loans.

SM6
- Large increases in aid will be possible only on the basis of development oriented partnerships and accountabilities. There are two contexts in which these conditions are frequently missing: fragile states and sub regional co operation. And there are important linkages here, since regional co operation to build infrastructure and trade and commercial linkages is impeded by fragile states and conflict. For fragile states, draft principles for international engagement are currently being tested in a number of country contexts. For regional and sub-regional co-operation, there will need to be a special effort to define vehicles and administrative and legal structures through which financing and other support for major regional institutional and physical infrastructure can be provided.

AID FLOWS: MAKING AID AVAILABLE TO GENERATE DYNAMIC AFRICAN GROWTH AND ACHIEVE THE MDGS

Action Frontiers For African Countries	**2007 Performance Benchmarks** For African Countries
• Establish medium- and long-term development finance scenarios as a roadmap for setting framework conditions for aid, domestic resource mobilization and foreign direct investment	Significant number of African countries are using medium- and longer-term development finance scenarios for tracking progress in domestic resource mobilisation, widening and deepening financial markets and attracting FDI
• Ensure that short- and medium-term increases in aid dependence are accompanied by rising domestic resource mobilisation and intermediation so that large aid inflows translate progressively into longer-term financial self-reliance	Good policy and institutional basis laid for domestic resource mobilisation and intermediation and for attracting foreign investment
• Build capacity to analyse various development assistance sources and modalities and to proactively lead aid management and co-ordination processes	African countries actively shaping the composition of their aid and leading aid management and co-ordination processes

AID FLOWS: MAKING AID AVAILABLE TO GENERATE DYNAMIC AFRICAN GROWTH AND ACHIEVE THE MDGS

Action Frontiers For OECD Countries	**2007 Performance Benchmarks** For OECD Countries
• Deliver on Monterrey, Kananaskis and Gleneagles commitments for 2006 and 2010	2006 commitments fulfilled and active planning of aid flows to meet commitments for 2010
• Participate in joint DAC/SPA forward tracking system to estimate aggregate funding for Africa on a three year rolling basis in line with commitment to greater predictability	DAC members and relevant multilateral institutions contributing to a well-functioning forward tracking system for active planning of aid supply to Africa
• Discuss with individual African country partners their indicative development finance scenarios for next ten years and propose donor multi-year aid supply for 3-4 years ahead (and longer as necessary for adequate planning and management of sectoral programmes and projects and civil service reforms)	Donors systematically indicating multi-year aid supply commitments to African countries with well functioning medium-term fiscal frameworks
• Ensure that increased aid is included in developing countries budget frameworks and encompassed by local public expenditure management and accountability mechanisms	High percentage of increased aid provided through or reported in medium term budget frameworks
• Raise HIPC debt cancellation ceiling to 100% of multilateral debt to eliminate circular refinancing flows while ensuring IFI sustainable financing capacity	Eligible countries receive 100% cancellation of multilateral debt in line with Gleneages undertakings. Debt service payments do not effectively add to aid requirements
• Ensure that the ratio of grants to loans keeps debt service payments from triggering a new cycle in which aid flows are effectively funding debt service. This implies all grant aid in some countries	Ratios of grants to loans geared to averting new debt obligations that could restrict fiscal space for effective development expenditures
• Track aid flows and donor involvement in fragile states to ensure that engagement is at levels justified by scope for poverty reduction and policy/political improvement	Tracking system established and used as monitoring of engagement in fragile states
• Adjust financial support levels and modalities to support sub-regional integration and infrastructure	Financing and administrative arrangements for sub-regional integration and infrastructure on clear upward trend

Notes

Monterrey Consensus, 2002

"…Recipient and donor countries, as well as international institutions, should strive to make ODA more effective. In particular, there is a need to for the multilateral and bilateral financial and development institutions to intensify efforts to:

- Harmonise their operational procedures at the highest standard so as to reduce transaction costs and make ODA disbursement and delivery more flexible, taking into account national development needs and objectives under the ownership of the recipient country.
- Support and enhance recent efforts and initiatives, such as untying aid, including the implementation of the Organisation for Economic Co operation and Development / Development Assistance Committee recommendation on untying aid to the least developed countries, as agreed by the Organisation for Economic Co operation and Development in May 2001. Further efforts should be made to address burdensome restrictions.
- Enhance the absorptive capacity and financial management of the recipient countries to utilise aid in order to promote the use of the most suitable aid delivery instruments that are responsive to the needs of developing countries and to the need for resource predictability, including budget support mechanisms, where appropriate, and in a fully consultative manner.
- Use development frameworks that are owned and driven by developing countries and that embody poverty reduction strategies, including poverty reduction strategy papers, as vehicles for aid delivery, upon request.
- Improve ODA targeting to the poor, coordination of aid and measurement of results…".

2003 Rome Declaration on Harmonisation and Alignment

"Both donors and partner countries commit to:

- Ensure that ODA is delivered in accordance with partner country priorities … and that harmonisation efforts are adapted to the country context.
- Reviewing and identifying ways to amend…individual institutions and countries policies, procedures and practices to facilitate harmonisation. In addition work to reduce donor missions, reviews and reporting, streamline conditionalities and simplify and harmonise documentation.
- Identifying donor efforts to work through delegated cooperation at the country level and increasing the flexibility of country-based staff to manage country programmes and projects more effectively and efficiently.
- Developing at all levels within organisations incentives to foster management and staff recognition of the benefits of harmonisation."

2001 OECD Recommendation on Aid Untying

2. "… Untying is a complex process. Different approaches are required for different categories of ODA, and actions by Members to implement the Recommendation will vary in coverage and timing. Bearing this in mind, DAC Members will untie their ODA to the Least Developed Countries to the greatest extent possible and in accordance with the criteria and procedures set out in this Recommendation:

i) DAC Members agree to untie, by 1 January 2002, ODA to the Least Developed Countries in the following areas: balance of payments and structural adjustment support; debt forgiveness; sector and multi-sector programme assistance; investment project aid; import and commodity support; commercial services contracts, and ODA to Non Governmental Organisations for procurement related activities.

ii) In respect of investment related technical co operation and free standing technical co operation, it is recognised that DAC Members' policies may be guided by the importance of maintaining a basic sense of national involvement in donor countries alongside the objective of calling upon partner countries' expertise, bearing in mind the objectives and principles of this Recommendation. Free standing technical co operation is excluded from the coverage of the Recommendation.

iii) In respect of food aid, it is recognised that DAC Members' policies may be guided by the discussions and agreements in other international fora governing

the provision of food aid, bearing in mind the objectives and principles of this Recommendation.
3. This Recommendation does not apply to activities with a value of less than SDR 700 000 (SDR 130 000 in the case of investment-related technical co operation)."

2005 Paris Declaration on Aid Effectiveness

"3. We reaffirm the commitments made at Rome to harmonise and align aid delivery. We are encouraged that many donors and partner countries are making aid effectiveness a high priority, and we reaffirm our commitment to accelerate progress in implementation, especially in the following areas:
i. Strengthening partner countries' national development strategies and associated operational frameworks (e.g., planning, budget, and performance assessment frameworks).
ii. Increasing alignment of aid with partner countries' priorities, systems and procedures and helping to strengthen their capacities.
iii. Enhancing donors' and partner countries' respective accountability to their citizens and parliaments for their development policies, strategies and performance.
iv. Eliminating duplication of efforts and rationalising donor activities to make them as cost-effective as possible.
v. Reforming and simplifying donor policies and procedures to encourage collaborative behaviour and progressive alignment with partner countries' priorities, systems and procedures.
vi. Defining measures and standards of performance and accountability of partner country systems in public financial management, procurement, fiduciary safeguards and environmental assessments, in line with broadly accepted good practices and their quick and widespread application.
4. We commit ourselves to taking concrete and effective action to address the remaining challenges, including:
i. Weaknesses in partner countries' institutional capacities to develop and implement results-driven national development strategies.
ii. Failure to provide more predictable and multi-year commitments on aid flows to committed partner countries.
iii. Insufficient delegation of authority to donors' field staff, and inadequate attention to incentives for effective development partnerships between donors and partner countries.
iv. Insufficient integration of global programmes and initiatives into partner countries' broader development agendas, including in critical areas such as HIV/AIDS.
v. Corruption and lack of transparency, which erode public support, impede effective resource mobilisation and allocation and divert resources away from activities that are vital for poverty reduction and sustainable economic development. Where corruption exists, it inhibits donors from relying on partner country systems.
6. In following up the Declaration, we will intensify our efforts to provide and use development assistance, including the increased flows as promised at Monterrey, in ways that rationalise the often excessive fragmentation of donor activities at the country and sector levels."

UNDG Millennium +5 Summit, September 2005

Undertakings from the outcome of the 2005 Millennium +5 Summit review relating to Development (Section II), in particular relevant commitments set out in the following sections: the Global Partnership for Development, Financing for Development and Meeting the Special Needs of Africa.

IMPROVING THE QUALITY OF AID: ISSUES AND CHALLENGES

M1 • In the wake of the 2003 Rome Declaration on Harmonisation, aid effectiveness has risen to the top of the development agenda. Efforts to improve aid quality through greater donor harmonisation and alignment actions are beginning to take root in Africa. Where African governments have exerted ownership and leadership in aid management, progress has been remarkable. And examples of innovative efforts by donor groups to better co-ordinate and rationalise aid processes are growing. But the critical mass of actions to decisively reduce aid transaction costs is still largely missing. Greater attention is needed to adapt aid processes to local contexts and to diminish the scope of requirements, including conditionalities and monitoring practices. More discipline in streamlining and joining up multiple, often uncoordinated donor activities—such as missions, analytical work, dialogue arrangements—is essential. And the predictability of aid—both in short-term cash flows and in medium term commitments to match partner country planning frameworks—must be improved. Solid progress on all these fronts is essential for enabling partners to achieve development goals.

M2 • The March 2005 Paris Declaration on Aid Effectiveness (see Annex II attached), endorsed by a large number of developing countries (including twenty six from Africa), donor agencies and multilateral institutions, has set out an important and ambitious agenda for reforming aid delivery practices and procedures and enhancing partner country capacity to take the lead in co-ordinating and managing aid and to achieve development results. Efforts to implement this agenda will be systematically monitored and assessed on the basis of specific mutual commitments and indicators set out in the Declaration in order to strengthen performance and accountability.

IMPROVING THE QUALITY OF AID: ISSUES AND CHALLENGES

SM1 • While African countries strongly endorse in principle the need to reduce the burden of aid processes, progress has been slow. Results from the 2004 OECD-DAC Survey of Progress in Harmonisation and Alignment of seven African countries suggest that the harmonisation and alignment agenda is often a donor initiative not fully "owned" or "led" by African governments. African governments need to take the lead in aid management at country level by providing a vision for external donors for effectively co-ordinating, harmonising and aligning aid flows to national priorities and systems. For many African nations, inadequate government capacity to manage and direct local harmonisation and alignment efforts is a key stumbling block. Priority should be attached to identifying key deficits and mobilising plans and resources for addressing them. There is need for an African framework for aid management for tracking at regional level the flow, quality and effectiveness of development assistance.

SM2 • Donor reliance on national administrative and financial systems depends on the quality and integrity of these systems. Significant attention and resources are required to strengthen institutional capacity in Africa to plan, implement and monitor expenditure programmes—and to exercise budget discipline and accountability. This is essential for enabling donors to transfer aid management to local systems and for strengthening country ownership of aid programmes.

SM3 • Dpnors are generally using country poverty reduction strategies as the framework for allocating resources. Donor budget support groups in several Sub-Saharan countries are making good progress in aligning with government budget processes and calendars. Sector support operations—which incorporate important harmonisation and alignment features—are consolidating and expanding across the continent. Challenges remain, however, in aligning project assistance, which too often still falls outside government structures and processes. Efforts to strengthen complementarities and coherence among different aid modalities, to provide technical assistance more flexibly and to ensure all aid flows are recorded on-budget will enhance aid quality. The importance of integrating global fund resource flows within national planning and budgeting frameworks is recognised: alignment efforts need to be stepped up in these operations.

SM4 • Donors are coordinating more support behind sector strategies, and there is an encouraging trend towards shared work arrangements, such as joint missions, joint analysis and common diagnostic reviews. But donors are still far from exploiting the potential of common arrangements and simplified procedures. Delegated co operation is the exception. There has been little progress towards exploring complementarities and comparative advantages, and all donors still want a seat at the table. The stakes are high: greater harmonisation is essential for an aid system ready to process increasing aid flows.

SM5 • Innovative learning-by-doing efforts in some African countries rank as global good practice. The Strategic Partnership with Africa (SPA) has catalysed work in several African countries to harmonise and align budget support under government leadership. The pace and breadth of these efforts in Mozambique, Uganda and Tanzania amount to a harmonisation breakthrough in Africa. Yet many challenges remain: trimming back multiple conditionalities, establishing clear rules of the game, limiting volatility, dealing with unforeseen political stresses, accommodating diverging views, reinforcing government ownership. In future, African governments and their development partners should aim to transform conditionality arrangements into agreed frameworks of mutual commitments with clear criteria of engagement.

SM6 • The unpredictability of aid flows deeply compromises the ability of African governments to plan future public expenditure—and to undertake the strategic incremental investments required to meet long-term development goals. Similarly, delayed disbursements can disrupt public expenditures and generate financing costs. Off-budget resource flows undermine the integrity of budget allocations, reduce government's oversight role and complicate expenditure management. As signalled above, there is wide scope for bringing all aid flows within budget frameworks.

SM7 • In general, tied aid has been proven to be costly, mismatched to local priorities and burdensome for partner countries to manage. Recent increases in the share of untied aid to Africa are in part fuelled by the 2001 DAC Recommendation on Untying ODA to the Least Developed Countries (34 of which are African). All DAC Members have untied all categories of ODA that are covered by the Recommendation. But the impact so far has been limited—estimates suggest that over the period 1999–2003, the average share of untied bilateral ODA to Africa was approximately 62% of total bilateral ODA. The DAC is committed to continued progress on untying aid. Options in this regard include broadening the scope of the Recommendation to include additional developing countries, increasing transparency on the tying status of technical cooperation and improving the effectiveness of food aid.

SM8 • African governments are moving to focus their efforts on a results-based framework centred around the Millennium Development Goals. More effort is needed to integrate development outcomes into their policy and planning frameworks (such as Poverty Reduction Strategies), placing greater emphasis on effective information systems and enhanced statistical capacity to measure and monitor policy impacts (as promoted by PARIS21, a developing country/donor partnership on capacity development in national statistical systems). The donor community needs at the same time to place aid management systems on an outcome-based footing. Donors have much to do to translate a results-based orientation to day to day aid operations, to assessment and accountability frameworks and to communications with stakeholders and constituents.

Action Frontiers For African Countries

See 2005 Paris Declaration on Aid Effectiveness (attached in Annex II)

2007 Performance Benchmarks For African Countries

See 2005 Paris Declaration on Aid Effectiveness (attached in Annex II)

Action Frontiers For OECD Countries

See 2005 Paris Declaration on Aid Effectiveness (attached in Annex II)

2007 Performance Benchmarks For OECD Countries

See 2005 Paris Declaration on Aid Effectiveness (attached in Annex II)

Notes

PART IV

POLICY COHERENCE: CHALLENGES FOR AFRICAN AND OECD GOVERNMENTS

Commitments
Main messages
Supporting messages
Actions and benchmarks

Millennium Declaration, September 2000

Millennium Development Goal 8: Develop a Global Partnership for Development

A Summary of NEPAD Action Plans, July 2001

"24. The regional economic communities remain the building blocks for Africa's economic integration. We will, therefore, strengthen them and relate them to the African Union and its programmes.

25. We welcome the strong international interest in and support for NEPAD. It is our intention to build on this promising foundation, working with our development partners and the wider international community to:

- Forge new forms of international co-operation in which the benefits of globalisation are more evenly shared;
- Create a stable international economic environment in which African countries can achieve growth through greater market access for their exports; the removal of trade barriers, especially non-tariff barriers and other forms of protectionism; increased flows of foreign investment; debt cancellation; a meaningful increase in ODA; and the diversification of their economies.

Money Laundering: … African countries have a special interest in the recovery of stolen assets placed in the global financial system…

Market Access: This strategy aims to adopt adequate legal and regulatory trade frameworks at the national, sub-regional and regional levels and take a series of procedures to increase intra-African trade and promote exports and integrate Africa's trade into the international trading system.

Health: NEPAD also seeks to redress the 10:90 gap in health research whereby more than 90% of the world's research goes into less than 10% of its health problems i.e. into those of the developed world… Particularly helpful actions from the international community will be to: … Support efforts to offset the brain drain, including adopting ethical recruitment practices.

Regional integration: One of the main priorities of NEPAD is the promotion of regional integration in the continent because individual African economies are too small to generate the economies of scale that can be found in larger markets. Bridging the infrastructure gap has been identified as an important element of promoting regional integration in Africa.

Debt relief: … NEPAD is fully cognisant of the HIPC initiative. NEPAD however believes that this can be improved upon with a view to enhancing more resource flows for meeting specific anti-poverty targets and programmes. It believes in and will continue to push for debt cancellation or forgiveness."

Doha WTO Ministerial Declaration, November 2001

"1. …We… pledge to reject the use of protectionism.

2. International trade can play a major role in the promotion of economic development and the alleviation of poverty. We recognize the need for all our peoples to benefit from the increased opportunities and welfare gains that the multilateral trading system generates. The majority of WTO members are developing countries. We seek to place their needs and interests at the heart of the Work Programme adopted in this Declaration.…

3. We recognize the particular vulnerability of the least-developed countries and the special structural difficulties they face in the global economy. …. (and paragraphs 13 and 14 covering commitments on agriculture, 15 on services, 16 on market access for non-agricultural products, 17-23, on trade-related aspects of intellectual property rights and the associated separate declaration on health and medicines, 27 on trade facilitation, 23 on WTO rules, notably to improve WTO disciplines on fisheries subsidies, 36 on trade, debt and finance, including coherence of international trade and financial policies)."

ENSURING COHERENCE IN AFRICAN AND OECD POLICIES TO ENABLE AFRICA TO ACHIEVE THE MILLENNIUM DEVELOPMENT GOALS

Monterrey Consensus, March 2002

"Addressing systemic issues: enhancing the coherence and consistency of the international monetary, financing and trading systems in support of development
52. In order to complement national development efforts, we recognise the urgent need to enhance coherence, governance, and consistency of the international monetary, financial and trading systems. To contribute to that end, we underline the importance of continuing to improve global economic governance and to strengthen the United Nations leadership role in promoting development. With the same purpose, efforts should be strengthened at the national level to enhance coordination among all relevant ministries and institutions. Similarly, we should encourage policy and programme coordination of international institutions and coherence at the operational and international levels to meet the Millennium Declaration development goals of sustained economic growth, poverty eradication and sustainable development."

OECD Ministerial Meeting, May 2002

OECD Action for a Shared Development Agenda
"… developed countries [are responsible to] give increased attention to the impacts of their policies on developing countries, and assist developing countries, in particular least developed countries (LDCs), in their efforts to build the capacity necessary to make effective use of trade, investment and aid in support of poverty reduction and sustainable development."
"The OECD, for its part, will build upon its strengths to advance this shared development agenda in the following ways: encouraging policy coherence for development
5. Successful poverty reduction requires mutually supportive policies across a wide range of economic, social and environmental issues. Through its programme on policy coherence for development, the OECD will enhance understanding of the development dimensions of Member country policies and their impacts on developing countries. Analysis should consider trade-offs and potential synergies across such areas as trade, investment, agriculture, health, education, the environment and development co-operation, to encourage greater policy coherence in support of the internationally agreed development goals.
6. By increasing understanding of the development benefits of rules-based trade and investment, such work will help to reinforce our efforts, including promoting the better integration of developing countries into the multilateral trading system, to achieve more open markets both between developed and developing countries and among developing countries themselves to allow for export-led growth, and further our aim to improve market access to the goods of developing countries, and particularly LDCs.
9. The OECD will strengthen its partnerships with non-members, in particular developing countries, as well as with international organisations and other stakeholders through analytical work, policy dialogue, and advice. A broader and more effective dialogue will improve the quality of our efforts to support development. The OECD will account for its actions to advance this shared development agenda through regular review and reports on progress."

G8 commitments 2001 - 2005

G8 "Africa Action Plan" provisions undertaken in Genoa, Kananaskis, Evian, Sea Island and Gleneagles regarding promoting peace and security, strengthening institutions and governance, fostering trade, investment, economic growth and sustainable development, implementing debt relief, enhancing knowledge and improving and promoting education and expanding digital opportunities, improving health and confronting HIV and AIDS, increasing agricultural productivity and improving water resource management.

WTO Doha Work Programme, August 2004

"… The [WTO General] Council emphasizes Members' resolve to complete the Doha Work Programme fully and to conclude successfully the negotiations launched at Doha, rededicates and recommits Members to fulfilling the development dimension of the Doha Development Agenda, which places the needs and interests of developing and least-developed countries at the heart of the Doha Work Programme….
Annex A: Framework for Establishing Modalities in Agriculture
Annex B: Framework for Establishing Modalities in Market Access for Non-Agricultural Products
Annex D: Modalities for Negotiations on Trade Facilitation"

ENSURING COHERENCE IN AFRICAN AND OECD POLICIES TO ENABLE AFRICA TO ACHIEVE THE MILLENNIUM DEVELOPMENT GOALS

M1

- Policy coherence involves the systematic promotion of mutually reinforcing policy actions across government departments and agencies. The concept applies as well to regional groupings and international institutions. Without an adequate understanding of the full implications a given policy may have on other policy objectives, and without strong and constructive co-ordination among different policymakers, there are risks that a policy may be contradictory to, or have conflicting or even obstructive effects on important national, regional or institutional objectives. Policy coherence in national contexts calls for government-wide approaches to policy formulation underpinned by institutional structures that i) encourage dialogue and debate across policy areas, ii) foster analytical capacity to understand and assess policy linkages, and iii) muster political support in the face of strong domestic constituencies.

M2

- For both OECD and African countries, the overriding objective that guides policy coherence for development is achieving the MDGs, including attaining the sustained high rates of growth needed to reduce poverty. OECD countries are accountable for ensuring coherence between their development co-operation and other government policies to support and complement African national policies. A key challenge is to ensure that any changes in OECD country policies fall on fertile ground: African countries must have the capacity to access the benefits and capabilities made possible by such changes. Achieving coherence across African governments' own policies needs to be part of their institutional and capacity-building priorities.

M3

- At a strategic, aggregate level, policy coherence for development in Africa implies the need to align trade, aid and debt policies so as to create the environment needed for growth across the continent. This means ensuring that policies in one of these areas do not undermine policies in another area. For example, greater policy alignment would ensure that i) aid flows create the environment for increased trade and growth, ii) greater trade creates the environment for further growth, and iii) debt service does not undercut the provision of public services and investments required to generate and sustain growth. There are signs of distinct improvements as regards debt policies, although more needs to be done. Challenges remain in improving the coherence of OECD Member country trade and aid policies. In addition, the macroeconomic frameworks, structural policies and trade reforms of each African country need to be well aligned in a coherent, growth-promoting mode. This implies close co-operation among the major international institutions at varying levels of policysetting and operations.

ENSURING COHERENCE IN AFRICAN AND OECD POLICIES TO ENABLE AFRICA TO ACHIEVE THE MILLENNIUM DEVELOPMENT GOALS

SM1
- Comprehensive approaches to development based around the MDGs imply strong coherence among national policy domains. This requires effective co-ordination mechanisms at Cabinet level, among Ministries, and with decentralised levels of government. At the advisory and technical levels, it also requires analytical capacity to identify key interactions and linkages and sequencing issues in which home-grown research capabilities and inputs are essential.

SM2
- Coherence and co-ordination are also central to the objective of having an effective pan-African voice in international fora and negotiations, and of enhancing regional and continental policy coherence vis-à-vis i) integration objectives, ii) environmental and food security considerations, iii) banking and infrastructure standards and iv) taxation policies and regimes.

SM3
- Influencing policy coherence issues across African governments and within regional/sub-regional institutions will call for developing more collaborative relationships between governments/institutions and the local intellectual community. Research institutes, academia, think tanks and regional learning networks need support for developing Africa's own intellectual capital for understanding the role of different policies, their impacts on poverty and development objectives, and where—within government or regional entities—such policies could be adjusted for enhanced coherence.

SM4
- Regional integration—and the many benefits it promises for intra-African trade and investment flows, security conditions, infrastructure, labour movements, public goods and knowledge-sharing—is central to Africa's quest for broad-based growth and prosperity and a strong foothold in the global economy. But progress has been undermined by the often incoherent accumulation of regional entities, mandates, and policy initiatives. Africa now needs to focus on strategically "consolidating" existing integration efforts by rationalizing regional institutions, protocols, agendas and scope of operations. The African Union/ECA report on this problematique lays out the main options for streamlining and consolidating the broad range of existing regional institutions into a coherent, interactive, and strategic whole. Africa must think and act collectively: regional approaches are essential, particularly as regards transport, communication and regional public goods in health (child health, HIV/AIDs, TB, malaria) and agriculture (research, extension services).

SM5
- The trade-investment-aid nexus has been one of the most powerful motors of development progress. Yet African and OECD policies have together prevented or undermined the emergence of virtuous circles of interaction between aid, investment and trade across the continent. Numerous successful development outcomes drawing on the positive dynamics of this nexus exist, and can serve as models and points of departure for envisaging and planning a uniquely Africa approach to stimulating investment and trade. Potential synergies between aid and investment need to be explored and exploited.

SM6
- Peace and security provide the underlying enabling conditions for development. Greater coherence would be achieved through OECD country policies that effectively address security and conflict issues in Africa, including better inter-agency co-ordination of the strategic analysis of situations, support to African conflict prevention and peace-keeping efforts, and attention to arms sales policies.

SM7
- Access to health, education and knowledge are fundamental to growth and development. OECD countries have a special responsibility to help in delivering needed medicines and vaccines, preventing diseases and broadening the base of beneficiaries of intellectual property.

ENSURING COHERENCE IN AFRICAN AND OECD POLICIES TO ENABLE AFRICA TO ACHIEVE THE MILLENNIUM DEVELOPMENT GOALS

SM8

- Migration and development interact in a global world where the economic paradigm is the free movement of factors. International co operation in migration policies is key, and strategies are being adopted in Africa to address the brain drain with their developed country partners. Greater synergies between migration, aid and health policies need to be exploited.

SM9

- OECD environmental requirements might limit trade in products exported from developing countries. OECD countries need to exercise openness and transparency in developing such requirements and provide information, technical support and advice to help developing countries meet them.

SM10

- Corruption, which poisons the investment climate, siphons off scarce financial resources, and is inimical to good governance and development progress, needs to be promptly and decisively addressed through complementary African and OECD Member country policies. Greater policy coherence on both sides as regards public and private sector governance standards, legal parameters, adjudication mechanisms and transparency and accountability arrangements should be enhanced. Particular attention is needed as regards OECD approaches to immunity, bank secrecy laws and the repatriation of stolen assets, which create perverse incentives that have fuelled capital flight in Africa.

SM11

- Coherence also needs to be improved within international institutions and negotiating fora. For example, macroeconomic frameworks in African countries should be coherent with development finance scenarios that reflect the progressive, phased investments required to reach the MDGs. This will call for more flexibility or adjustments to fiscal targets as established by the Bretton Woods Institutions. As a complement to this, the essential coherent response from the aid community would be to provide more predictable aid within medium-term expenditure frameworks. In a related way, African trade negotiators should be mindful of coherence and compatibility issues regarding commitments, conflicting requirements and trade-offs in approaching different trade negotiations (e.g. Doha, European Partnership Agreements).

ENSURING COHERENCE IN AFRICAN AND OECD POLICIES TO ENABLE AFRICA TO ACHIEVE THE MILLENNIUM DEVELOPMENT GOALS

Action Frontiers For African Countries	**2007 Performance Benchmarks** For African Countries
• Build analytical capacity to identify policy incoherence and participate effectively in international debate and negotiations in relevant policy areas	African voice influencing relevant policy debates and outcomes
• Build capacity to identify and promote areas of mutual interest and co-operation with development partners, involving effective inter-Ministerial co-ordination	African countries proactively generating initiatives to capture synergies with external partners, with increased inter-Ministerial co-ordination
• Streamline and rationalise regional institutions and support them with significant and reliable African-generated financial resources (see AU/ECA study on options for reform of regional institutions)	Concrete strategy agreed on more coherent, effective regional integration structures, and reform process underway
• Adopt rules and regulations that reflect a concerted effort to reduce corruption at all levels	Inventory of rules passed and promulgated and evidence of enforcement

ENSURING COHERENCE IN AFRICAN AND OECD POLICIES TO ENABLE AFRICA TO ACHIEVE THE MILLENNIUM DEVELOPMENT GOALS

Action Frontiers For OECD Countries	**2007 Performance Benchmarks** For OECD Countries
• Focused attention to ensuring that aid, trade and debt policies and scenarios are reinforcing sustainable growth prospects for African countries	Aid, trade and debt policies are consistent with sustainable growth and promote viable external balances and domestic financial development scenarios
• Implement concrete institutional measures at national, regional (EU), and field office levels to improve policy coherence	Progress in improving institutional mechanisms for policy coherence monitored in the framework of the DAC peer review system
• Facilitate increased voice of African countries in key international fora	Increasingly effective role and influence of African countries in key international institutions
• Sustained attention to helping prevent and resolve African conflicts, with coherent, government-wide approaches involving defence, foreign affairs and development policy communities working together	Effective and timely support through government-wide support for African processes for resolving conflicts and threats to sustained peace
• Strong priority for delivering development results through a successful Doha Development Round, as agreed in Doha Ministerial Declaration and August 2004 WTO Doha Work Programme (“July package”)	Progress in Doha Development Round negotiations
• Ease delivery of medicines according to commitments in Doha Development Agenda	Supply of low-cost medicines matching needs
• Assist African countries in meeting phytosanitary standards and consumer quality standards	Effective development assistance programmes in place to help meet standards and market requirements
• Increase efforts to enforce OECD Anti-Bribery Convention	OECD Anti-Bribery Monitoring Report showing increased enforcement record
• In accordance with “July package” work towards more coherent approaches to capacity building and technical assistance	Joint African/OECD assessment of effectiveness in trade capacity-building and technical assistance

7 Notes

ANNEXES

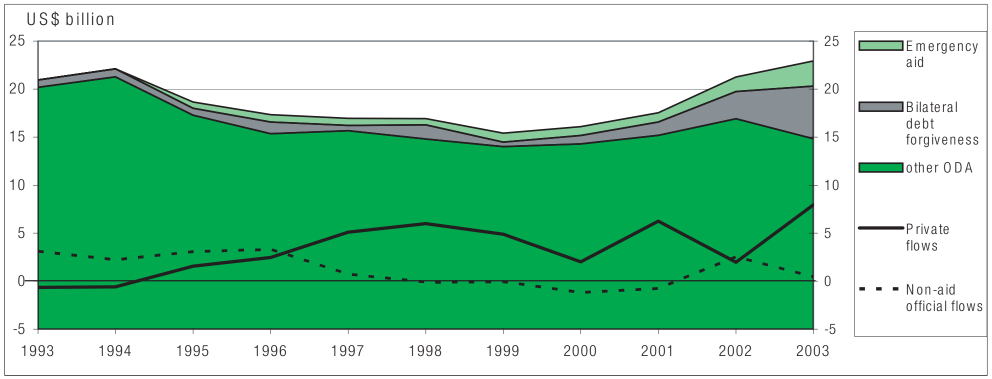
ANNEX I
AID FLOWS TO AFRICA: SOME TRENDS OVER THE LAST DECADE

DRAFT ANNEX TO CHAPTER III OF THE *2005 MUTUAL REVIEW REPORT*

Debt relief drives ODA back up to the levels of the early 1990s

ODA from DAC countries remains the most important financial resource flow for Africa. After falling during the mid-1990s, ODA to Africa is now rising sharply driven largely by debt relief and emergency assistance. Foreign direct investment from DAC countries rose in the mid-1990's and is climbing faster, if erratically, in the early 2000s. FDI flows to Africa from other developing countries have also been rising in discrete jumps and may be equal to FDI from DAC countries[1]. Net export credit lending and net official non-concessional lending have remained small or negative.

Chart 1. Total net official development assistance (ODA), non-aid official flows and private flows in Africa, 1993-2003

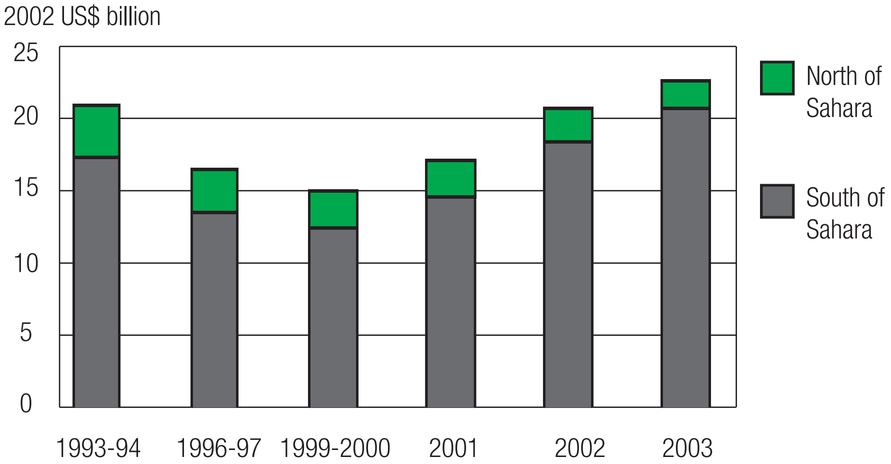


Note: Data on emergency aid are available only as from 1995.

The Two Distinct Phases of ODA to Africa in the last decade

The overall trend in ODA to Africa over the past decade falls into two distinct phases: a fall of 26 per cent in real terms from 1993 to 1999, and an increase of 49 per cent in real terms from 1999 to 2003. In the first phase, budget support to West Africa fell in the wake of the CFA devaluation and aid to "failed states" was cut. In the second phase, debt relief and emergency aid were key drivers. In 2003 the out-turn was heavily determined by around $4.5bn in debt relief for the Democratic Republic of Congo.

Chart 2. Net Official Development Assistance to Africa, 1993-2003 In 2002 constant prices and exchange rates

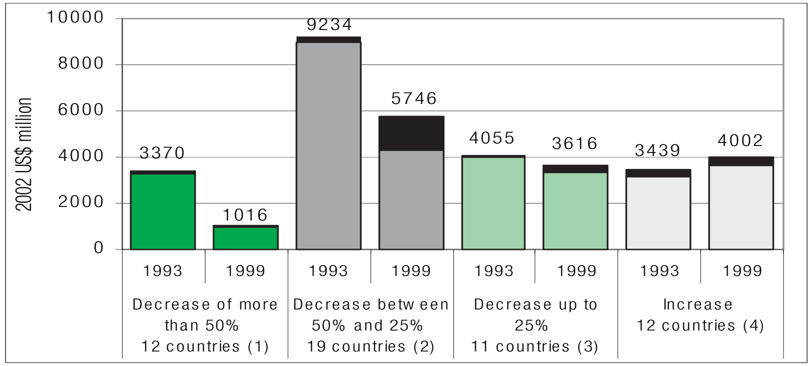


ODA to individual African countries shows many different trends

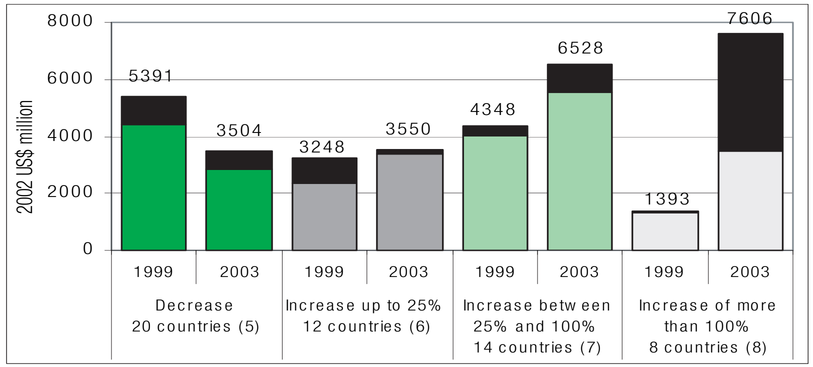
Within and across each of these two phases, changes in ODA flows to individual countries have varied enormously. For some countries ODA has been cut in half. Others have seen their ODA double.

Chart 3. Recent trends in ODA to Africa (net ODA receipts, in 2002 constant prices and exchange rates)

1993-99: decrease of 26% of ODA to Africa



1999-2003: increase of 49% of ODA to Africa

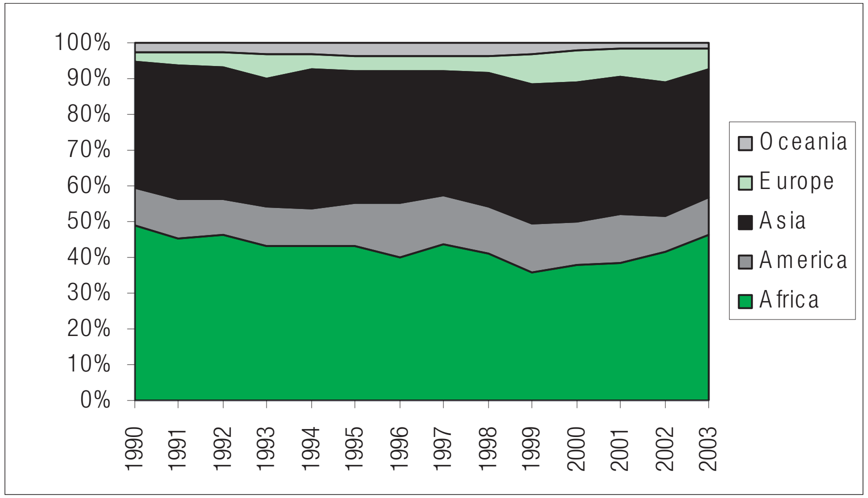


(1) Botswana, Burundi, Comoros, Equatorial Guinea, Gabon, Gambia, Kenya, Lesotho, Sierra Leone, Somalia, Swaziland, Zimbabwe.
(2) Algeria, Benin, Central African Rep., Congo Dem. Rep., Cote d'Ivoire, Djibouti, Egypt, Ethiopia, Guinea, Guinea-Bissau, Mauritania, Mozambique, Niger, Nigeria, Sao Tome & Principe, Seychelles, Sudan, Togo, Zambia.
(3) Burkina Faso, Cameroon, Chad, Ghana, Liberia, Madagascar, Malawi, Mali, Morocco, St. Helena, Uganda.
(4) Angola, Cape Verde, Congo Rep., Eritrea, Mauritius, Mayotte, Namibia, Rwanda, Senegal, South Africa, Tanzania, Tunisia.
(5) Botswana, Cape Verde, Central African Rep., Congo Rep., Cote d'Ivoire, Djibouti, Egypt, Equatorial Guinea, Gabon, Guinea, Mauritius, Morocco, Namibia, Rwanda, Senegal, Seychelles, Swaziland, Togo, Zambia, Zimbabwe.
(6) Angola, Burkina Faso, Chad, Comoros, Liberia, Malawi, Mauritania, Mozambique, Sao Tome & Principe, South Africa, St. Helena, Tunisia.
(7) Algeria, Benin, Cameroon, Eritrea, Gambia, Ghana, Kenya, Madagascar, Mali, Mayotte, Nigeria, Somalia, Tanzania, Uganda.
(8) Burundi, Congo Dem. Rep., Ethiopia, Guinea-Bissau, Lesotho, Niger, Sierra Leone, Sudan.
Note: The shaded zones represent bilateral debt forgiveness (including in 2003 US$ 3.8 billion to the Democratic Republic of Congo and US$ 0.6 billion to Cameroon). The number on the top of each bar is the total ODA receipts for each group, in constant 2002 US$ million.

Africa receives about 50 per cent of total DAC ODA

Africa's share of total ODA from DAC countries was about 50 per cent in the early 1990s. It fell to 36 per cent by 1999, but has now recovered to 46 per cent. Thus Africa has received the lion's share of the recent increase in ODA. It has the largest aid receipts of any major region and much larger ODA per capita than America and Asia.

Chart 4. Africa's share in total ODA, 1990-2003



Aid dependence varies widely among African countries

Africa's 55 countries are highly diverse in terms of population, geography, and political and economic progress. Dependence on ODA, measured either by ODA per capita or ODA as a share of GNI, ranges across a very wide spectrum.

Table 1. Net ODA to individual African countries, ranked by ODA per capita, by ODA/GNI and by volatility of ODA receipts[2]

	ODA per capita	Net ODA (2002 US$ million)	
	2003	1995	2003
1 St. Helena	2151	14	16
2 Mayotte	822	84	136
3 Cape Verde	259	97	122
4 Sao Tome & Principe	166	48	26
5 Seychelles	94	10	8
6 Djibouti	90	82	63
7 Namibia	62	156	126
8 Mauritania	62	180	167
9 Mozambique	48	804	893
10 Guinea-Bissau	42	88	63
11 Mali	38	446	449
12 Senegal	38	530	387
13 Ghana	38	531	781
14 Tanzania	38	701	1370
15 Malawi	38	368	411
16 Eritrea	37	108	164
17 Gambia	37	41	53
18 Lesotho	37	100	66
19 Rwanda	35	467	287
20 Comoros	34	34	20
21 Benin	34	227	227
22 Sierra Leone	33	161	178
23 Burkina Faso	31	402	376
24 Uganda	31	669	774
25 Equatorial Guinea	29	28	15
26 Tunisia	26	56	259
27 Zambia	26	1670	270
28 Niger	25	228	293
29 Madagascar	25	248	415
30 Guinea	24	334	188
31 Chad	23	194	199
32 Swaziland	20	52	23
33 Angola	18	273	240
34 Burundi	15	226	105
35 Botswana	15	78	25
36 Morocco	15	399	437
37 Congo, Rep.	13	101	49
38 Kenya	13	595	404
39 Cameroon	13	340	202
40 South Africa	12	362	542
41 Ethiopia	11	641	770
42 Central African Rep.	10	128	39
43 Liberia	10	89	34
44 Egypt	10	1688	661
45 Sudan	9	135	291
46 Zimbabwe	8	391	101
47 Somalia	7	97	69
48 Togo	7	134	34
49 Congo, Dem. Rep.	7	145	348
50 Algeria	5	232	170
51 Côte d'Ivoire	3	910	43
52 Nigeria	2	178	277
53 Gabon	-9	97	-12
54 Mauritius	-10	20	-12
North of Sahara	11	2429	1598
South of Sahara	18	14331	12829
Africa unspecified		520	394
Total Africa	18	17280	14821

	ODA/ GNI	Net ODA (2002 US$ million)	
	2003	1995	2003
1 Sao Tome & Principe	51.8	48	26
2 Guinea-Bissau	27.5	88	63
3 Malawi	24.4	368	411
4 Sierra Leone	23.3	161	178
5 Mozambique	21.8	804	893
6 Eritrea	19.3	108	164
7 Rwanda	17.3	467	287
8 Burundi	15.8	226	105
9 Cape Verde	14.9	97	122
10 Mauritania	14.0	180	167
11 Tanzania	14.0	701	1370
12 Gambia	12.9	41	53
13 Uganda	12.8	669	774
14 Ethiopia	11.7	641	770
15 Mali	10.8	446	449
16 Niger	10.8	228	293
17 Ghana	10.4	531	781
18 Djibouti	9.9	82	63
19 Burkina Faso	9.0	402	376
20 Liberia	9.0	89	34
21 Chad	8.2	194	199
22 Madagascar	7.7	248	415
23 Benin	6.6	227	227
24 Congo, Dem. Rep.	6.5	145	348
25 Zambia	6.5	1670	270
26 Comoros	6.3	34	20
27 Senegal	6.0	530	387
28 Guinea	5.3	334	188
29 Lesotho	5.0	100	66
30 Central African Rep.	3.3	128	39
31 Kenya	3.0	595	404
32 Namibia	2.6	156	126
33 Angola	2.2	273	240
34 Togo	2.0	134	34
35 Congo, Rep.	1.8	101	49
36 Sudan	1.8	135	291
37 Cameroon	1.7	340	202
38 Swaziland	1.2	52	23
39 Seychelles	1.2	10	8
40 Tunisia	1.1	56	259
41 Morocco	1.0	399	437
42 Egypt	0.8	1688	661
43 Nigeria	0.6	178	277
44 Botswana	0.4	78	25
45 South Africa	0.3	362	542
46 Côte d'Ivoire	0.3	910	43
47 Algeria	0.3	232	170
48 Mauritius	-0.2	20	-12
49 Gabon	-0.2	97	-12
Equatorial Guinea	..	28	15
Mayotte	..	84	136
Somalia	..	97	69
St. Helena	..	14	16
Zimbabwe	..	391	101
North of Sahara	0.8	2429	1598
South of Sahara	3.3	14331	12829
Africa unspecified		520	394
Total Africa	2.5	17280	14821

	Volatility of ODA (%)	Net ODA (2002 US$ million)	
	1995-2003	1995	2003
1 Namibia	8	156	126
2 Mayotte	10	84	136
3 Djibouti	11	82	63
4 Angola	11	273	240
5 Senegal	11	530	387
6 Egypt	12	1688	661
7 South Africa	12	362	542
8 Benin	13	227	227
9 Tanzania	14	701	1370
10 Malawi	14	368	411
11 Burkina Faso	15	402	376
12 Cape Verde	15	97	122
13 Zimbabwe	15	391	101
14 Mali	16	446	449
15 St. Helena	16	14	16
16 Central African Rep.	16	128	39
17 Ghana	17	531	781
18 Nigeria	17	178	277
19 Sao Tome & Principe	18	48	26
20 Gambia	20	41	53
21 Morocco	20	399	437
22 Ethiopia	21	641	770
23 Mauritania	21	180	167
24 Togo	21	134	34
25 Equatorial Guinea	22	28	15
26 Chad	22	194	199
27 Uganda	23	669	774
28 Mozambique	23	804	893
29 Comoros	24	34	20
30 Kenya	24	595	404
31 Liberia	25	89	34
32 Cameroon	25	340	202
33 Niger	26	228	293
34 Somalia	26	97	69
35 Lesotho	27	100	66
36 Seychelles	28	10	8
37 Eritrea	29	108	164
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44 Algeria	38	232	170
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47 Tunisia	46	56	259
48 Mauritius	46	20	-12
49 Zambia	48	1670	270
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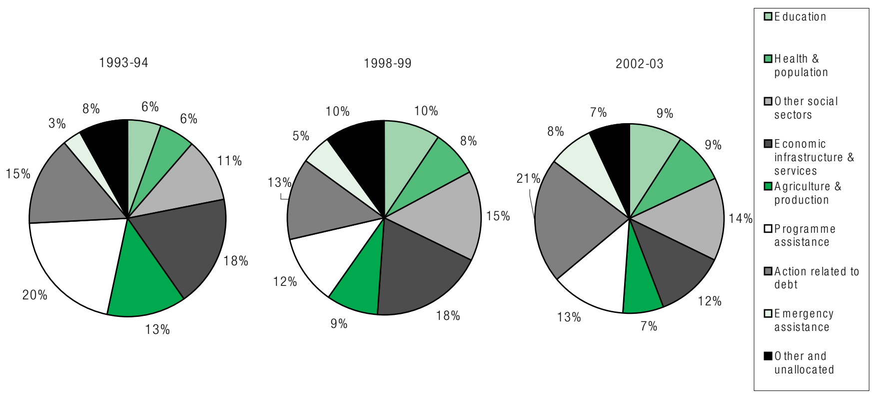
52 Congo, Dem. Rep.	77	145	348
53 Sierra Leone	79	161	178
54 Gabon	123	97	-12
North of Sahara	29	2429	1598
South of Sahara	29	14331	12829
Africa unspecified		520	394
Total Africa	29	17280	14821

Note: Libya is excluded from the table because it transferred to Part II of the DAC List of Aid Recipients on 1 January 2000. In consequence, since this date, aid to Libya is not eligible as ODA. See www.oecd.org/dac/stats/daclist for information on the DAC List of Aid Recipients.

Major shifts in what aid is used for and in the instruments of aid

There was a major shift in the sector/purpose allocation of ODA between 1993-1994 and 1998-1999, from production and infrastructure to the social sectors and governance. This shift has been maintained since. Over the whole period, the share of programme assistance has fallen, structural adjustment assistance has been replaced by debt relief. The share of emergency aid has also risen significantly.

Chart 5. Breakdown of total ODA to Africa by sectors, 1993-2003



Social sectors and governance get much greater shares of aid

Within the overall increase in the shares of social sectors in ODA, education and health rose strongly. But the largest increase was in the share of ODA allocated to governance activities.

ODA to agriculture and industry fall significantly in share and volume

The shares and the volume of ODA going to agriculture and industry fell significantly. ODA for trade capacity building rose from the late 1990s.

Chart 6. Share of social sectors in total ODA to Africa, 1990-2003

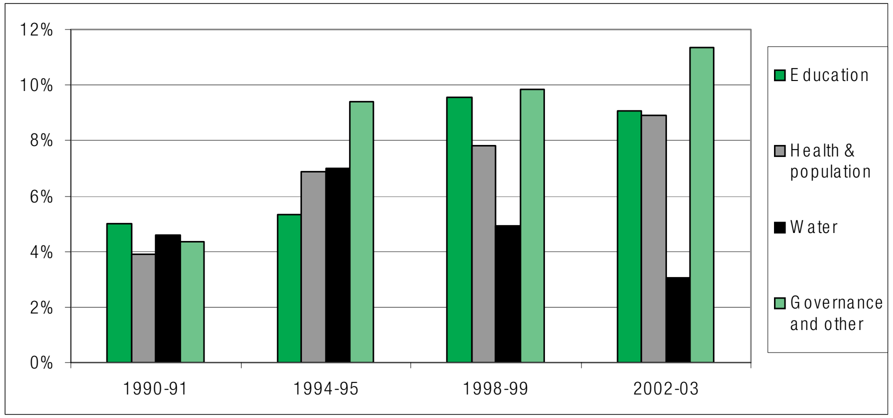
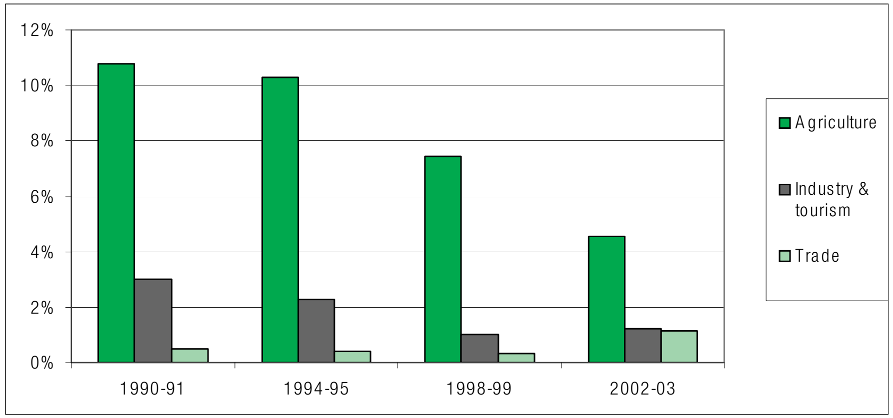


Chart 7. Share of production sectors in total ODA to Africa, 1990-2003



Emergency aid is way up

Emergency aid to Africa increased sharply in the last two years. And the bilateral share of emergency aid jumped from under half in 1996 to almost 80% in 2003.

Aid in the form of loans and grants for programmes and projects has fallen while grants for debt forgiveness have risen commensurately

Chart 8. Main sources of emergency aid to Africa, 1996-2003, in constant prices and exchange rates (2002 US$ million)

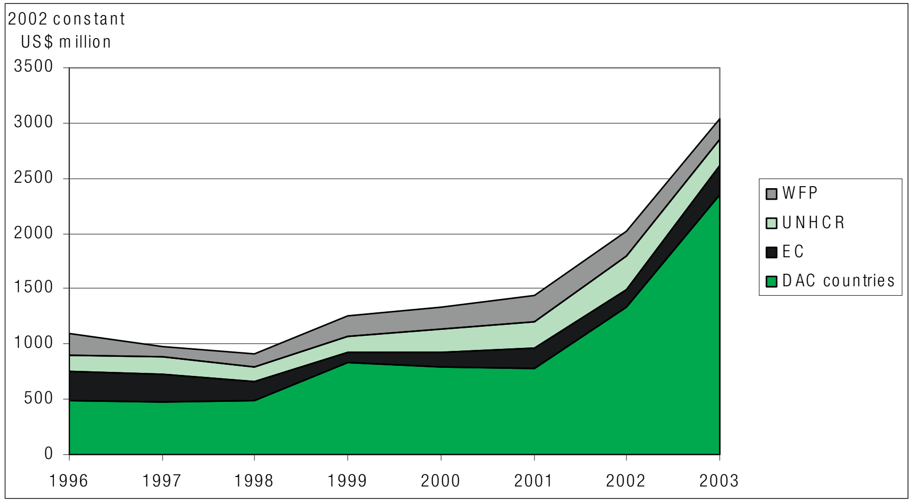
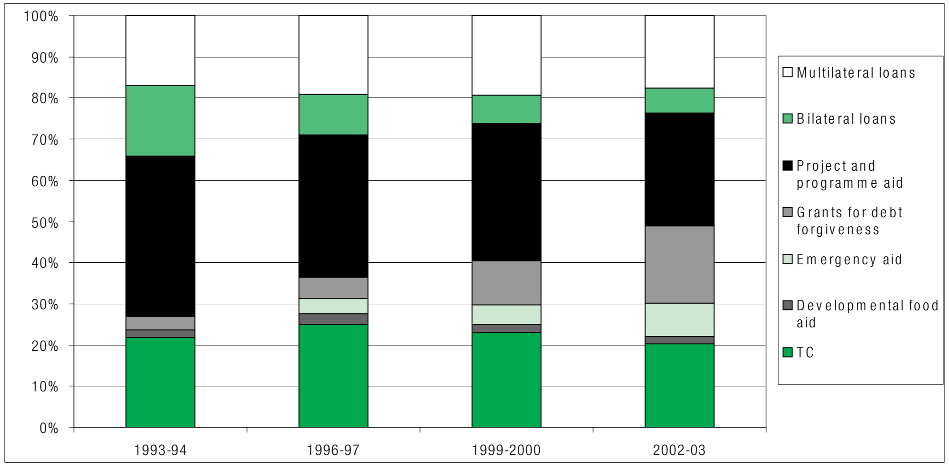


Chart 9. Total gross ODA to Africa by instrument, 1993-2003



The share of total ODA provided as bilateral loans and programme and project grants fell from 56 per cent to 34 per cent, while grants for debt forgiveness rose from 3 per cent to nearly 20 per cent over the decade 1993-1994 to 2002-2003. Technical co-operation grants fell slightly as a share of total ODA.

How much ODA actually enters African budgets

A study undertaken in 2000 by an OECD consultant in Mali[3] found that there are important differences between ODA reported by donors and aid recorded in Malian accounting systems: only 60% of the Official Development Assistance reported by donors to the DAC in 1998 was recorded in the Malian accounts. Different statistical, methodological and accountability problems caused this discrepancy, which may lead to incorrect monitoring of the Malian economy and major errors in the national economic accounts.

Table 2. Estimating ODA transfers available to African governments' budgets

2002 constant US$ billion

			2001	2002	2003
ODA Grants		(1)	14.7	17.5	20.8
Gross ODA Loans		(2)	5.5	6.6	5.0
Gross ODA (1)+(2)		(3)	20.2	24.1	25.9
	Technical co-operation	(4)	4.9	5.3	5.1
	Developmental food aid	(5)	0.5	0.5	0.5
of which:	Emergency aid	(6)	1.4	2.0	3.0
	Grants for debt forgiveness	(7)	1.9	3.4	6.0
	ODA channelled through NGOs	(8)	0.5	0.6	0.5
Maximum gross ODA paid into gov. budgets (3)-(4)-(5)-(6)-(7)-(8)		(9)	11.0	12.4	10.7
Percentage of gross ODA (9)/(3)			55%	51%	41%
Memo items:					
Principal repayments actually made		(10)	-2.6	-2.9	-2.5
Interest repayments		(11)	-0.8	-0.9	-1.0
Maximum net transfer of ODA to gov. budgets (9)+(10)+(11)		(12)	7.6	8.5	7.2
Percentage of gross ODA (12)/(3)			38%	35%	28%

Source: DAC statistics and estimates.

On the same issue, the table below uses DAC statistics to estimate what share of ODA reported by donors constitutes an actual net transfer of aid to African governments. The method employed suggests that only about one third of total gross ODA to Africa corresponds to transfers into government budgets.

In 2003, ODA grants to Africa amounted to US$ 20.8 billion, and new ODA loans to US$ 5.0 billion, thus total gross ODA was US$ 25.9 billion. Once deduction is made for flows that clearly do not constitute transfers to government budgets, such as technical co-operation, developmental food aid, emergency aid, debt forgiveness (bilateral only) and ODA channelled through NGOs[4], the gross ODA paid into African government budgets amounted, in 2003, to US$ 10.7 billion. Deducting governments' repayments of debt principal and interest, in 2003 only US$ 7.2 billion, or 28% of total gross ODA, remained as new transfers of ODA into government budgets.

Using the same perspective, the comparison between 2001 and 2003 is interesting: gross bilateral ODA to Africa rose by US$ 5.7 billion. However, this increase was largely due to bilateral debt relief and emergency aid. Excluding these factors, there was actually a decrease of US$ 400 million of the maximum net transfers of ODA to African government budgets between 2001 and 2003. Thus increased ODA does not necessarily mean greater resources available to governments of developing countries.

Multilateral debt relief under the HIPC initiative is beginning to build up "fiscal space" which can be used for higher social spending, since unlike bilateral debt service, it is not possible to write off multilateral debt or accumulate arrears.

Bilateral US and European aid to Africa growing fast: Africa is the major focus for most donors

Africa is the main ODA recipient region for 17 of the 22 DAC bilateral donors. Main bilateral donors to Africa are EU countries – in particular France – and the United States. Top multilateral donors are the European Commission and IDA.

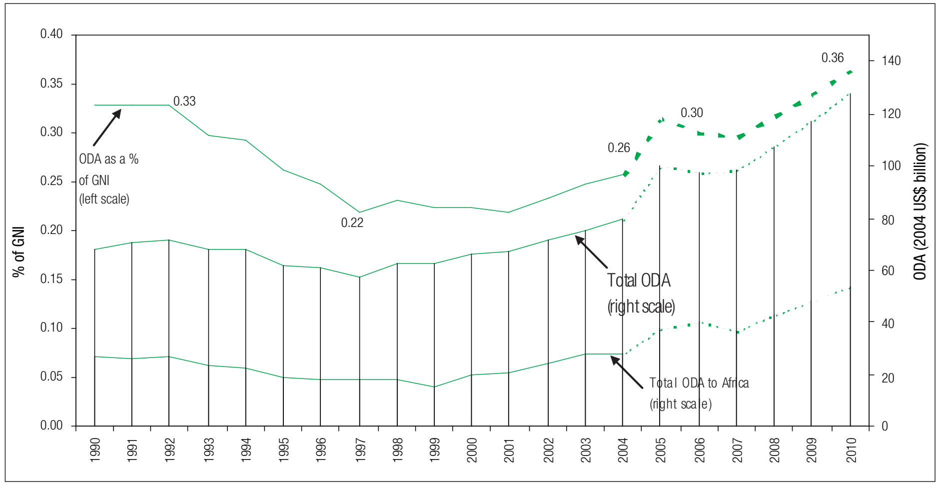
Chart 10. Net ODA to Africa by donor, 1990-2003, at constant prices and exchange rates

Table 3. DAC Members net ODA prospects: simulation based on announcements in the context of Monterrey and since[1]

Country	2004 Net ODA (2004 US$m)	2004 ODA/GNI	Assumptions	2006 Net ODA (2004 US$m)	2006 ODA/GNI	2006 Real change in ODA compared with 2004: 2004 US$m	2006 Real change: Per cent	2010 Net ODA (2004 US$m)	2010 ODA/GNI	2010 Real change in ODA compared with 2004: 2004 US$m	2010 Real change: Per cent
Austria	678	0.23%	0.33% in 2006 and 0.51% in 2010	1 000	0.33%	322	48%	1 673	0.51%	995	147%
Belgium [2]	1 463	0.41%	0.7% in 2010	1 815	0.49%	351	24%	2 807	0.70%	1 344	92%
Denmark	2 037	0.85%	Minimum 0.8%	2 037	0.81%	0	0%	2 185	0.80%	148	7%
Finland [2 3]	655	0.35%	0.44% in 2007 and 0.7% in 2010	797	0.41%	141	22%	1 475	0.70%	820	125%
France [2]	8 473	0.41%	0.5% in 2007 and 0.7% in 2012	9 983	0.47%	1 510	18%	14 110	0.61%	5 638	67%
Germany	7 534	0.28%	0.33% in 2006 and 0.51% in 2010	9 271	0.33%	1 737	23%	15 509	0.51%	7 975	106%
Greece	465	0.23%	0.33% in 2006 and 0.51% in 2010	715	0.33%	251	54%	1 196	0.51%	732	158%
Ireland	607	0.39%	0.5% in 2007 and 0.7% in 2012	765	0.44%	158	26%	1 121	0.60%	514	85%
Italy	2 462	0.15%	0.33% in 2006 and 0.51% in 2010	5 537	0.33%	3 075	125%	9 262	0.51%	6 801	276%
Luxembourg [2]	236	0.83%	1% in 2009	272	0.90%	36	15%	328	1.00%	93	39%
Netherlands	4 204	0.73%	Minimum 0.8% [9]	4 801	0.82%	598	14%	5 070	0.80%	867	21%
Portugal [4]	1 031	0.63%	0.33% in 2006 and 0.51% in 2010	558	0.33%	- 474	-46%	933	0.51%	- 98	-10%
Spain [2 3]	2 437	0.24%	0.5% in 2008 and 0.7% in 2012	3 569	0.33%	1 132	46%	6 925	0.59%	4 488	184%
Sweden	2 722	0.78%	1% in 2006	3 719	1.00%	997	37%	4 025	1.00%	1 303	48%
United Kingdom [2 3]	7 883	0.36%	0.47% in 2007-08 and 0.7% in 2013	9 602	0.42%	1 719	22%	14 600	0.59%	6 717	85%
DAC EU Members, Total	42 886	0.35%		54 440	0.43%	11 554	27%	81 221	0.59%	38 335	89%
Australia	1 460	0.25%	0.36% in 2010	1 768	0.28%	308	21%	2 460	0.36%	1 000	68%
Canada [5]	2 599	0.27%	See footnote 4	2 897	0.28%	297	11%	3 648	0.33%	1 049	40%
Japan [6]	8 906	0.19%	See footnote 5	9 906	0.20%	1 000	11%	11 906	0.22%	3 000	34%
New Zealand	212	0.23%	0.27% in 2005-06 and 0.28% in 2007-08	258	0.27%	46	22%	289	0.28%	77	36%
Norway	2 199	0.87%	1% over 2006-09	2 657	1.00%	458	21%	2 876	1.00%	677	31%
Switzerland [7]	1 545	0.41%	See footnote 6	1 596	0.41%	51	3%	1 728	0.41%	182	12%
United States [8]	19 705	0.17%	See footnote 7	24 000	0.19%	4 295	22%	24 000	0.18%	4 295	22%
DAC Members, Total	79 512	0.26%		97 520	0.30%	18 008	23%	128 128	0.36%	48 616	61%

1 November 2005 DAC Secretariat simulation, values expressed in constant 2004 US$ million.
2 ODA/GNI ratios interpolated between 2004 and year target scheduled to be attained.
3 Finland aim to achieve 0.7% by 2010 'subject to economic circumstances'; Spain aim for a minimum of 0.5% by 2008, with the intention then to aim for 0.7% by 2012; the UK has announced a timetable to reach 0.7% by 2013.
4 Portugal's ODA in 2004 was above trend due to an exceptional debt relief operation for Angola.
5 Canada intends to double its 2001 International Assistance Envelope (IAE) level by 2010 in nominal terms. The ODA portion estimated here, supplied by the Canadian authorities, includes adjustments for inflation (approximately 2 per cent per annum) and for ODA expenditures outside the IAE.
6 Japan intends to increase its ODA volume by $10 billion in aggregate over the next five years (2005 - 2009) compared to its net ODA in 2004. The Secretariat's estimate assumes $1 billion extra in 2006 and $3 billion extra in 2010.
7 Switzerland's ODA will increase by 8% in nominal terms from 2005 to 2008. A new goal will be determined for the following years. The Secretariat's estimate assumes maintenance of 0.41% of GNI in 2006 and 2010.
8 Secretariat estimate based on 2004 ODA plus $5 billion per annum to cover the Gleneagles G8 commitments on increased aid to Africa, Millennium Challenge Account, and initiatives on HIV/AIDS, malaria and humanitarian aid.
9 The Netherlands' ODA in 2004 was below its target as India repaid all its outstanding Dutch aid loans. The Netherlands intends to maintain its target of 0.8% of GNI, on average, over the period 2004-07.

Chart 11. DAC Members' ODA: 1990-2004 and simulations to 2006 and 2010, based on commitments at Monterrey and since[5]



Notes

1. Non-OECD FDI not included in the chart. Indications come from UNCTAD.
2. In this table, ODA excludes emergency aid and bilateral debt forgiveness.
3. *La comptabilisation des flux d'aide au Mali (*August 2000).
4. DAC statistics do not provide the regional breakdown of ODA channelled through NGOs. However, global DAC statistics show that some 10% of total bilateral ODA is channelled through NGOs; this percentage has been applied to total DAC bilateral ODA to Africa to provide estimates for Table 2.
5. Projections reflect Gleneagles and other commitments made up to and including July 2005, and are expressed in 2004 dollars. The projection from 2003 to 2010 is based on the premise that half the increase in total ODA will go to Africa.

ANNEX II PARIS DECLARATION ON AID EFFECTIVENESS: OWNERSHIP, HARMONISATION, ALIGNMENT, RESULTS AND MUTUAL ACCOUNTABILITY

Statement of Resolve

1. We, Ministers of developed and developing countries responsible for promoting development and Heads of multilateral and bilateral development institutions, meeting in Paris on 2 March 2005, resolve to take far-reaching and monitorable actions to reform the ways we deliver and manage aid as we look ahead to the UN five-year review of the Millennium Declaration and the Millennium Development Goals (MDGs) later this year. As in Monterrey, we recognise that while the volumes of aid and other development resources must increase to achieve these goals, aid effectiveness must increase significantly as well to support partner country efforts to strengthen governance and improve development performance. This will be all the more important if existing and new bilateral and multilateral initiatives lead to significant further increases in aid.

2. At this High-Level Forum on Aid Effectiveness, we followed up on the Declaration adopted at the High-Level Forum on Harmonisation in Rome (February 2003) and the core principles put forward at the Marrakech Roundtable on Managing for Development Results (February 2004) because we believe they will increase the impact aid has in reducing poverty and inequality, increasing growth, building capacity and accelerating achievement of the MDGs.

Scale up for more effective aid

3. We reaffirm the commitments made at Rome to harmonise and align aid delivery. We are encouraged that many donors and partner countries are making aid effectiveness a high priority, and we reaffirm our commitment to accelerate progress in implementation, especially in the following areas:

- Strengthening partner countries' national development strategies and associated operational frameworks (e.g., planning, budget, and performance assessment frameworks).
- Increasing alignment of aid with partner countries' priorities, systems and procedures and helping to strengthen their capacities.
- Enhancing donors' and partner countries' respective accountability to their citizens and parliaments for their development policies, strategies and performance.
- Eliminating duplication of efforts and rationalising donor activities to make them as cost-effective as possible.
- Reforming and simplifying donor policies and procedures to encourage collaborative behaviour and progressive alignment with partner countries' priorities, systems and procedures.
- Defining measures and standards of performance and accountability of partner country systems in public financial management, procurement, fiduciary safeguards and environmental assessments, in line with broadly accepted good practices and their quick and widespread application.

4. We commit ourselves to taking concrete and effective action to address the remaining challenges, including:

1. Weaknesses in partner countries' institutional capacities to develop and implement results-driven national development strategies.
2. Failure to provide more predictable and multi-year commitments on aid flows to committed partner countries.
3. Insufficient delegation of authority to donors' field staff, and inadequate attention to incentives for effective development partnerships between donors and partner countries.
4. Insufficient integration of global programmes and initiatives into partner countries' broader development agendas, including in critical areas such as HIV/AIDS.
5. Corruption and lack of transparency, which erode public support, impede effective resource mobilisation and allocation and divert resources away from activities that are vital for poverty reduction and sustainable economic development. Where corruption exists, it inhibits donors from relying on partner country systems.

5. We acknowledge that enhancing the effectiveness of aid is feasible and necessary across all aid modalities. In determining the most effective modalities of aid delivery, we will be guided by development strategies and priorities established by partner countries. Individually and collectively, we will choose and design appropriate and complementary modalities so as to maximise their combined effectiveness.

6. In following up the Declaration, we will intensify our efforts to provide and use development assistance, including the increased flows as promised at Monterrey, in ways that rationalise the often excessive fragmentation of donor activities at the country and sector levels.

Adapt and apply to differing country situations

7. Enhancing the effectiveness of aid is also necessary in challenging and complex situations, such as the tsunami disaster that struck countries of the Indian Ocean rim on 26 December 2004. In such situations, worldwide humanitarian and development assistance must be harmonised within the growth and poverty reduction agendas of partner countries. In fragile states, as we support state-building and delivery of basic services, we will ensure that the principles of harmonisation, alignment and managing for results are adapted to environments of weak governance and capacity. Overall, we will give increased attention to such complex situations as we work toward greater aid effectiveness.

Specify indicators, timetable and targets

8. We accept that the reforms suggested in this Declaration will require continued high-level political support, peer pressure and coordinated actions at the global, regional and country levels. We commit to accelerate the pace of change by implementing, in a spirit of mutual accountability, the Partnership Commitments presented in Section II and to measure progress against 12 specific indicators that we have agreed today and that are set out in Section III of this Declaration.

9. As a further spur to progress, we will set targets for the year 2010. These targets, which will involve action by both donors and partner countries, are designed to track and encourage progress at the global level among the countries and agencies that have agreed to this Declaration. They are not intended to prejudge or substitute for any targets that individual partner countries may wish to set. We have agreed today to set five preliminary targets against indicators as shown in Section III. We agree to review these preliminary targets and to adopt targets against

the remaining indicators as shown in Section III before the UNGA Summit in September 2005; and we ask the partnership of donors and partner countries hosted by the DAC to prepare for this urgently. Meanwhile, we welcome initiatives by partner countries and donors to establish their own targets for improved aid effectiveness within the framework of the agreed Partnership Commitments and Indicators of Progress. For example, a number of partner countries have presented action plans, and a large number of donors have announced important new commitments. We invite all participants who wish to provide information on such initiatives to submit it by 4 April 2005 for subsequent publication.

Monitor and evaluate implementation

10. Because demonstrating real progress at country level is critical, under the leadership of the partner country we will periodically assess, qualitatively as well as quantitatively, our mutual progress at country level in implementing agreed commitments on aid effectiveness. In doing so, we will make use of appropriate country level mechanisms.

11. At the international level, we call on the partnership of donors and partner countries hosted by the DAC to broaden partner country participation and, by the end of 2005, to propose arrangements for the medium term monitoring of the commitments in this Declaration. In the meantime, we ask the partnership to co-ordinate the international monitoring of the Indicators of Progress included in Section III; to refine targets as necessary; to provide appropriate guidance to establish baselines; and to enable consistent aggregation of information across a range of countries to be summed up in a periodic report. We will also use existing peer review mechanisms and regional reviews to support progress in this agenda. We will, in addition, explore independent cross-country monitoring and evaluation processes – which should be applied without imposing additional burdens on partners – to provide a more comprehensive understanding of how increased aid effectiveness contributes to meeting development objectives.

12. Consistent with the focus on implementation, we plan to meet again in 2008 in a developing country and conduct two rounds of monitoring before then to review progress in implementing this Declaration.

II. Partnership Commitments

13. Developed in a spirit of mutual accountability, these Partnership Commitments are based on the lessons of experience. We recognise that commitments need to be interpreted in the light of the specific situation of each partner country.

Ownership

Partner countries exercise effective leadership over their development policies, and strategies and co-ordinate development actions

14. Partner countries commit to:

- Exercise leadership in developing and implementing their national development strategies[1] through broad consultative processes.
- Translate these national development strategies into prioritised results-oriented operational programmes as expressed in medium-term expenditure frameworks and annual budgets **(Indicator 1)**.
- Take the lead in co-ordinating aid at all levels in conjunction with other development resources in dialogue with donors and encouraging the participation of civil society and the private sector.

15. **Donors** commit to:

Respect partner country leadership and help strengthen their capacity to exercise it.

Alignment

Donors base their overall support on partner countries' national development strategies, institutions and procedures

Donors align with partners' strategies

16. **Donors** commit to:

- Base their overall support — country strategies, policy dialogues and development co-operation programmes — on partners' national development strategies and periodic reviews of progress in implementing these strategies[2] **(Indicator 3)**.
- Draw conditions, whenever possible, from a partner's national development strategy or its annual review of progress in implementing this strategy. Other conditions would be included only when a sound justification exists and would be undertaken transparently and in close consultation with other donors and stakeholders.
- Link funding to a single framework of conditions and/or a manageable set of indicators derived from the national development strategy. This does not mean that all donors have identical conditions, but that each donor's conditions should be derived from a common streamlined framework aimed at achieving lasting results.

Donors use strengthened country systems

17. Using a country's own institutions and systems, where these provide assurance that aid will be used for agreed purposes, increases aid effectiveness by strengthening the partner country's sustainable capacity to develop, implement and account for its policies to its citizens and parliament. Country systems and procedures typically include, but are not restricted to, national arrangements and procedures for public financial management, accounting, auditing, procurement, results frameworks and monitoring.

18. Diagnostic reviews are an important — and growing — source of information to governments and donors on the state of country systems in partner countries. Partner countries and donors have a shared interest in being able to monitor progress over time in improving country systems. They are assisted by performance assessment frameworks, and an associated set of reform measures, that build on the information set out in diagnostic reviews and related analytical work.

19. **Partner countries** and **donors** jointly commit to:
- Work together to establish mutually agreed frameworks that provide reliable assessments of performance, transparency and accountability of country systems **(Indicator 2)**.
- Integrate diagnostic reviews and performance assessment frameworks within country-led strategies for capacity development.

20. Partner countries commit to:
- Carry out diagnostic reviews that provide reliable assessments of country systems and procedures.
- On the basis of such diagnostic reviews, undertake reforms that may be necessary to ensure that national systems, institutions and procedures for managing aid and other development resources are effective, accountable and transparent.
- Undertake reforms, such as public management reform, that may be necessary to launch and fuel sustainable capacity development processes.

21. **Donors** commit to:
- Use country systems and procedures to the maximum extent possible. Where use of country systems is not feasible, establish additional safeguards and measures in ways that strengthen rather than undermine country systems and procedures **(Indicator 5).**
- Avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes **(Indicator 6)**.
- Adopt harmonised performance assessment frameworks for country systems so as to avoid presenting partner countries with an excessive number of potentially conflicting targets.

Partner countries strengthen development capacity with support from donors

22. The capacity to plan, manage, implement, and account for results of policies and programmes, is critical for achieving development objectives — from analysis and dialogue through implementation, monitoring and evaluation. Capacity development is the responsibility of partner countries with donors playing a support role. It needs not only to be based on sound technical analysis, but also to be responsive to the broader social, political and economic environment, including the need to strengthen human resources.

23. Partner countries commit to:
- Integrate specific capacity strengthening objectives in national development strategies and pursue their implementation through country-led capacity development strategies where needed.

24. **Donors** commit to:
- Align their analytic and financial support with partners' capacity development objectives and strategies, make effective use of existing capacities and harmonise support for capacity development accordingly **(Indicator 4)**.

Strengthen public financial management capacity

25. Partner countries commit to:
- Intensify efforts to mobilise domestic resources, strengthen fiscal sustainability, and create an enabling environment for public and private investments.
- Publish timely, transparent and reliable reporting on budget execution.
- Take leadership of the public financial management reform process.

26. **Donors** commit to:
- Provide reliable indicative commitments of aid over a multi-year framework and disburse aid in a timely and predictable fashion according to agreed schedules **(Indicator 7)**.
- Rely to the maximum extent possible on transparent partner government budget and accounting mechanisms **(Indicator 5)**.

27. **Partner countries** and **donors** jointly commit to:
- Implement harmonised diagnostic reviews and performance assessment frameworks in public financial management.

Strengthen national procurement systems

28. **Partner countries** and **donors** jointly commit to:

- Use mutually agreed standards and processes[3] to carry out diagnostics, develop sustainable reforms and monitor implementation.
- Commit sufficient resources to support and sustain medium and long-term procurement reforms and capacity development.
- Share feedback at the country level on recommended approaches so they can be improved over time.

29. **Partner countries** commit to take leadership and implement the procurement reform process.

30. **Donors** commit to:
- Progressively rely on partner country systems for procurement when the country has implemented mutually agreed standards and processes **(Indicator 5)**.
- Adopt harmonised approaches when national systems do not meet mutually agreed levels of performance or donors do not use them.

Untie aid: getting better value for money

31. Untying aid generally increases aid effectiveness by reducing transaction costs for partner countries and improving country ownership and alignment. **DAC Donors** will continue to make progress on untying as encouraged by the 2001 DAC Recommendation on Untying Official Development Assistance to the Least Developed Countries **(Indicator 8)**.

Harmonisation

Donors' actions are more harmonised, transparent and collectively effective

Donors implement common arrangements and simplify procedures

32. **Donors** commit to:

Implement the donor action plans that they have developed as part of the follow-up to the Rome High-Level Forum.

Implement, where feasible, common arrangements at country level for planning, funding (e.g. joint financial arrangements), disbursement, monitoring, evaluating and reporting to government on donor activities and aid flows. Increased use of programme-based aid modalities can contribute to this effort **(Indicator 9)**.

Work together to reduce the number of separate, duplicative, missions to the field and diagnostic reviews **(Indicator 10)**; and promote joint training to share lessons learnt and build a community of practice.

Complementarity: more effective division of labour

33. Excessive fragmentation of aid at global, country or sector level impairs aid effectiveness. A pragmatic approach to the division of labour and burden sharing increases complementarity and can reduce transaction costs.

34. Partner countries commit to:
- Provide clear views on donors' comparative advantage and on how to achieve donor complementarity at country or sector level.

35. **Donors** commit to:

Make full use of their respective comparative advantage at sector or country level by delegating, where appropriate, authority to lead donors for the execution of programmes, activities and tasks.

Work together to harmonise separate procedures.

Incentives for collaborative behaviour

36. Donors and partner countries jointly commit to:

Reform procedures and strengthen incentives—including for recruitment, appraisal and training—for management and staff to work towards harmonisation, alignment and results.

Delivering effective aid in fragile states[4]

37. The long-term vision for international engagement in fragile states is to build legitimate, effective and resilient state and other country institutions. While the guiding principles of effective aid apply equally to fragile states, they need to be adapted to environments of weak ownership and capacity and to immediate needs for basic service delivery.

38. Partner countries commit to:

Make progress towards building institutions and establishing governance structures that deliver effective governance, public safety, security, and equitable access to basic social services for their citizens.

Engage in dialogue with donors on developing simple planning tools, such as the transitional results matrix, where national development strategies are not yet in place.

Encourage broad participation of a range of national actors in setting development priorities.

39. **Donors** commit to:
- Harmonise their activities. Harmonisation is all the more crucial in the absence of strong government leadership. It should focus on upstream analysis, joint assessments, joint

strategies, co-ordination of political engagement; and practical initiatives such as the establishment of joint donor offices.
- Align to the maximum extent possible behind central government-led strategies or, if that is not possible, donors should make maximum use of country, regional, sector or non-government systems.
- Avoid activities that undermine national institution building, such as bypassing national budget processes or setting high salaries for local staff.
- Use an appropriate mix of aid instruments, including support for recurrent financing, particularly for countries in promising but high-risk transitions.

Promoting a harmonised approach to environmental assessments

40. Donors have achieved considerable progress in harmonisation around environmental impact assessment (EIA) including relevant health and social issues at the project level. This progress needs to be deepened, including on addressing implications of global environmental issues such as climate change, desertification and loss of biodiversity.

41. Donors and partner countries jointly commit to:
- Strengthen the application of EIAs and deepen common procedures for projects, including consultations with stakeholders; and develop and apply common approaches for “strategic environmental assessment” at the sector and national levels.
- Continue to develop the specialised technical and policy capacity necessary for environmental analysis and for enforcement of legislation.

42. Similar harmonisation efforts are also needed on other cross-cutting issues, such as gender equality and other thematic issues including those financed by dedicated funds.

Managing for results

Managing resources and improving decision-making for results

43. Managing for results means managing and implementing aid in a way that focuses on the desired results and uses information to improve decision-making.

44. Partner countries commit to:
- Strengthen the linkages between national development strategies and annual and multi-annual budget processes.
- Endeavour to establish results-oriented reporting and assessment frameworks that monitor progress against key dimensions of the national and sector development strategies; and that these frameworks should track a manageable number of indicators for which data are cost-effectively available **(Indicator 11)**.

45. **Donors** commit to:
- Link country programming and resources to results and align them with effective partner country performance assessment frameworks, refraining from requesting the introduction of performance indicators that are not consistent with partners’ national development strategies.
- Work with partner countries to rely, as far as possible, on partner countries’ results-oriented reporting and monitoring frameworks.
- Harmonise their monitoring and reporting requirements, and, until they can rely more extensively on partner countries’ statistical, monitoring and evaluation systems, with partner countries to the maximum extent possible on joint formats for periodic reporting.

46. **Partner countries** and **donors** jointly commit to:
- Work together in a participatory approach to strengthen country capacities and demand for results based management.

Mutual accountability

Donors and partners are accountable for development results

47. A major priority for partner countries and donors is to enhance mutual accountability and transparency in the use of development resources. This also helps strengthen public support for national policies and development assistance.

48. Partner countries commit to:
- Strengthen as appropriate the parliamentary role in national development strategies and/or budgets.
- Reinforce participatory approaches by systematically involving a broad range of development partners when formulating and assessing progress in implementing national development strategies.

49. **Donors** commit to:
- Provide timely, transparent and comprehensive information on aid flows so as to enable partner authorities to present comprehensive budget reports to their legislatures and citizens.

50. Partner countries and donors commit to:

- Jointly assess through existing and increasingly objective country level mechanisms mutual progress in implementing agreed commitments on aid effectiveness, including the Partnership Commitments. **(Indicator 12)**.

III. Indicators of Progress

To be measured nationally and monitored internationally

	Ownership	Targets for 2010
1	*Partners have operational development strategies* — Number of countries with national development strategies (including PRSs) that have clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets.	**At least 75%*** of partner countries
	Alignment	**Targets for 2010**
2	*Reliable country systems* — Number of partner countries that have procurement and public financial management systems that either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	Target for improvement to be set by September 2005
3	*Aid flows are aligned on national priorities* — Percent of aid flows to the government sector that is reported on partners' national budgets.	**85%*** of aid flows reported on budgets
4	*Strengthen capacity by co-ordinated support* — Percent of donor capacity-development support provided through co-ordinated programmes consistent with partners' national development strategies.	Target for improvement to be set by September 2005
5	*Use of country systems* — Percent of donors and of aid flows that use partner country procurement and/or public financial management systems in partner countries, which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	Target for improvement to be set by September 2005
6	*Strengthen capacity by avoiding parallel implementation structures* — Number of parallel project implementation units (PIUs) per country.	Target for improvement to be set by September 2005
7	*Aid is more predictable* — Percent of aid disbursements released according to agreed schedules in annual or multi-year frameworks.	**At least 75%*** of such aid released on schedule

	Ownership	Targets for 2010
8	*Aid is untied* — Percent of bilateral aid that is untied.	Continued progress
	Harmonisation	**Targets for 2010**
9	*Use of common arrangements or procedures* — Percent of aid provided as programme-based approaches[5]	**At least 25%***
10	*Encourage shared analysis* — Percent of (a) field missions and/or (b) country analytic work, including diagnostic reviews that are joint.	Target for improvement to be set by September 2005
	Managing for results	**Targets for 2010**
11	*Results-oriented frameworks* — Number of countries with transparent and monitorable performance assessment frameworks to assess progress against (a) the national development strategies and (b) sector programmes.	**75%*** of partner countries
	Mutual accountability	**Targets for 2010**
12	*Mutual accountability* — Number of partner countries that undertake mutual assessments of progress in implementing agreed commitments on aid effectiveness including those in this Declaration.	Target for improvement to be set by September 2005

* These figures will be confirmed or amended by September 2005.

APPENDIX A: Methodological Notes on the Indicators of Progress

The Partnership Objectives provides a framework in which to make operational the responsibilities and accountabilities that are framed in the Paris Declaration on Aid Effectiveness. This framework draws selectively from the Partnership Commitments presented in Section II of this Declaration.

Purpose — The Partnership Objectives provide a framework in which to make operational the responsibilities and accountabilities that are framed in the Paris Declaration on Aid Effectiveness. They measure principally **collective behaviour at the country level.**

Country level vs. global level — The indicators are to be **measured at** the **country level** in close collaboration between partner countries and donors. Values of country level indicators can then be statistically aggregated at the **regional or global level**. This global aggregation would be done both for the country panel mentioned below, for purposes of statistical comparability, and more broadly for all partner countries for which relevant data are available.

Donor / Partner country performance — The indicators of progress also provide a benchmark against which individual donor agencies or partner countries can measure their performance at the country, regional, or global level. In measuring individual donor performance, the indicators should be applied with flexibility in the recognition that donors have different institutional mandates.

Targets — The targets are set at the global level. Progress against these targets is to be measured by aggregating data measured at the country level. In addition to global targets, partner countries and donors in a given country might agree on country-level targets.

Baseline — A baseline will be established for 2005 in a panel of self-selected countries. The partnership of donors and partner countries hosted by the DAC (Working Party on Aid Effectiveness) is asked to establish this panel.

Definitions and criteria — The partnership of donors and partner countries hosted by the DAC (Working Party on Aid Effectiveness) is asked to provide specific guidance on definitions, scope of application, criteria and methodologies to assure that results can be aggregated across countries and across time.

Note on Indicator 9 — Programme based approaches are defined in Volume 2 of Harmonising Donor Practices for Effective Aid Delivery (OECD, 2005) in Box 3.1 as a way of engaging in development cooperation based on the principles of co-ordinated support for a locally owned programme of development, such as a national development strategy, a sector programme, a thematic programme or a programme of a specific organisation. Programme based approaches share the following features: (a) leadership by the host country or organisation; (b) a single comprehensive programme and budget framework; (c) a formalised process for donor co-ordination and harmonisation of donor procedures for reporting, budgeting, financial management and procurement; (d) Efforts to increase the use of local systems for programme design and implementation, financial management, monitoring and evaluation. For the purpose of indicator 9 performance will be measured separately across the aid modalities that contribute to programme-based approaches.

APPENDIX B: LIST OF PARTICIPATING COUNTRIES AND ORGANISATIONS

Participating Countries

Albania	Australia	Austria
Bangladesh	Belgium	Benin
Bolivia	Botswana	[Brazil]*
Burkina Faso	Burundi	Cambodia
Cameroon	Canada	China
Congo D.R.	Czech Republic	Denmark
Dominican Republic	Egypt	Ethiopia
European Commission	Fiji	Finland
France	Gambia, The	Germany
Ghana	Greece	Guatemala
Guinea	Honduras	Iceland
Indonesia	Ireland	Italy
Jamaica	Japan	Jordan
Kenya	Korea	Kuwait
Kyrgyz Republic	Lao PDR	Luxembourg
Madagascar	Malawi	Malaysia
Mali	Mauritania	Mexico
Mongolia	Morocco	Mozambique
Nepal	Netherlands	New Zealand
Nicaragua	Niger	Norway
Pakistan	Papua New Guinea	Philippines
Poland	Portugal	Romania
Russian Federation	Rwanda	Saudi Arabia
Senegal	Serbia and Montenegro	Slovak Republic
Solomon Islands	South Africa	Spain
Sri Lanka	Sweden	Switzerland
Tajikistan	Tanzania	Thailand
Timor-Leste	Tunisia	Turkey
Uganda	United Kingdom	United States of America
Vanuatu	Vietnam	Yemen
Zambia		

* To be confirmed by April 2005.

Participating Organisations

African Development Bank
Arab Bank for Economic Development in Africa
Asian Development Bank
Commonwealth Secretariat
Consultative Group to Assist the Poorest (CGAP)
Council of Europe Development Bank (CEB)
Economic Commission for Africa (ECA)
Education for All Fast Track Initiative (EFA-FTI)
European Bank for Reconstruction and Development (EBRD)
European Investment Bank (EIB)
Global Fund to Fight Aids, Tuberculosis and Malaria
G24
Inter-American Development Bank
International Fund for Agricultural Development (IFAD)
International Monetary Fund (IMF)
International Organisation of the Francophonie
Islamic Development Bank
Millennium Campaign
New Partnership for Africa's Development (NEPAD)
Nordic Development Fund
Organisation for Economic Co-operation and Development (OECD)
Organisation of Eastern Caribbean States (OECS)
OPEC Fund for International Development
Pacific Islands Forum Secretariat
United Nations Development Group (UNDG)
World Bank

Civil Society Organisations

Africa Humanitarian Action
AFRODAD
Bill and Melinda Gates Foundations
Canadian Council for International Cooperation (CCIC)
Comité Catholique contre la Faim et pour le Développement (CCFD)
Coopération Internationale pour le Développement et la Solidarité (CIDSE)
Comisión Económica (Nicaragua)
ENDA Tiers Monde
EURODAD
International Union for Conservation of Nature and Natural Resources (IUCN)
Japan NGO Center for International Cooperation (JANIC)
Reality of Aid Network
Tanzania Social and Economic Trust (TASOET)
UK Aid Network

Notes

1. The term `national development strategies' includes poverty reduction and similar overarching strategies as well as sector and thematic strategies.
2. This includes for example the Annual Progress Review of the Poverty Reduction Strategies (APR).
3. Such as the processes developed by the joint OECD-DAC – World Bank Round Table on Strengthening Procurement Capacities in Developing Countries.
4. The following section draws on the draft Principles for Good International Engagement in Fragile States, which emerged from the Senior Level Forum on Development Effectiveness in Fragile States (London, January 2005).
5. See methodological notes for a definition of programme based approaches.

ANNEX III KEY DECISIONS IN ESTABLISHING THE ECA/OECD-DAC *MUTUAL REVIEW OF DEVELOPMENT EFFECTIVENESS* IN THE CONTEXT OF NEPAD

I. NEPAD

Summary of founding statement of "The New Partnership for Africa's Development (NEPAD)" October 2001

The NEPAD vision statement is a first, comprehensive statement by Africans of their responsibility for initiating and managing the development process and of their own policy agenda in pursuing that aim. It considers donor support, and reform of the ODA delivery system, to be essential complements in this regard.

II. OECD

Summary of OECD Ministers statement on NEPAD, May 2002

OECD Ministers agreed to conduct dialogue and co-operation between NEPAD and OECD to deepen mutual understanding.

I. NEPAD

Excerpt from the "Ministerial Statement" of the 15 October 2002 ECA Conference of African Ministers of Finance, Planning and Economic Development

"The new relations with development partners will hinge on mutual accountability. For Africans, the commitment to self-monitoring and to peer learning is the linchpin to accountability. For partners, the key commitment is to ensure that all policies affecting African development prospects – including those for ODA, market access, and debt – are consistent with achieving the MDGs. Primarily this has to do with the **quality** and **volume** of support and the coherence of policies for trade and aid."

Excerpt from the "Communiqué" of the 3 November 2002 meeting of the NEPAD Heads of State and Government Implementation Committee (HSGIC)

"In the spirit of mutual responsibility and accountability that is embedded in NEPAD, the HSIC underscored the need for mutual review of development partners in terms of their commitment to Africa. The ECA and OECD should urgently conclude work on the institutional framework for this review."

Excerpt from the "Communiqué" of the 9 March 2003 meeting of the NEPAD Heads of State and Government Implementation Committee (HSGIC)

"The HSIC noted the report and the interim recommendations and proposals that were presented by the Executive Secretary of the ECA. It further noted that mutual review of development effectiveness must be comprehensive to cover issues of market access, subsidies, the debt issue and commodity prices. It emphasized the need for policy coherence and harmonization for effectiveness of aid delivery. It however, expressed appreciation to the lead agencies and urged them to continue with the work in progress until the Development of Effectiveness Report is submitted to the Conference of African Ministers of Finance, Planning and Development …. It urged the ECA and the OECD to keep the HSIC fully updated on the outcome of this process."

Excerpt from the "Ministerial Statement" of the 1 June 2003 ECA Conference of African Ministers of Finance, Planning and Economic Development

"We acknowledge the work undertaken by the ECA in co-operation with the OECD-DAC to establish mutual reviews of development effectiveness in response to the request by the NEPAD Heads of State and Government Implementation Committee. We see this as an important tool for operationalising mutual accountability. We look forward to receiving the first report of Joint Reviews of Mutual Accountability at our Ministerial Conference in 2005 and every two years thereafter."

II. OECD

Press Statement by the DAC Chairman, DAC High Level meeting, 15 – 16 May 2002

"The NEPAD provides a basis for implementing the Monterrey Consensus in the African context, with mutual undertakings and accountability in the areas of good governance, aid levels and aid effectiveness, and policy coherence."

The 2002 OECD Ministerial Final Communiqué

"The OECD has an important role to play in taking the Monterrey Consensus forward, as outlined in the OECD *Action for a Shared Development Agenda* annexed to this communiqué. This role entails encouraging policy coherence for development; supporting developing countries' governance and policy capacities; improving aid effectiveness and ensuring adequate aid volume; and strengthening partnerships and accountability."

The 2002 OECD Ministerial Statement "OECD Action for a Shared Development Agenda"

"5… Through its programme on policy coherence for development, the OECD will enhance understanding of the development dimensions of Member country policies and their impacts on developing countries. Analysis should consider trade-offs and potential synergies across such areas as trade, investment, agriculture, health, education, the environment and development co-operation, to encourage greater policy coherence in support of the internationally agreed development goals.

8. The OECD, where the world's major donors meet, has a key role in improving aid effectiveness, thereby sustaining the case for aid volume. Peer review in the DAC is an important tool in support of this role. The OECD is working to reduce the complexity of aid management procedures in collaboration with multilateral aid agencies and developing countries, and to ensure effective implementation of all aspects of the OECD-DAC Recommendation on untying aid to the least developed countries.

9. The OECD will strengthen its partnerships with non-members, in particular developing countries, as well as with international organisations and other stakeholders through analytical work, policy dialogue, and advice. A broader and more effective dialogue will improve the quality of our efforts to support development. The OECD will account for its actions to advance this shared development agenda through regular review and reports on progress."

The 2002 OECD Ministerial Press Release on NEPAD

"Ministers agreed that the OECD has a role to play in furthering African development. To that end they agreed more specifically:

- To conduct further dialogue between NEPAD and OECD to determine how best to deepen mutual understanding and co-operate to advance the NEPAD initiative.
- That the above dialogue will consider the scope for OECD-NEPAD co-operation building on existing OECD programmes, including among other things:
  – Consulting in a spirit of mutual trust and partnership on best development practices, aid effectiveness and development benefits of trade, investment, good governance and approaches to sustainable development".

G8 "Africa Action Plan", June 2002, Kananaskis, Canada

"…We will match [African leaders'] commitment with a commitment on our own part to promote peace and security in Africa, to boost expertise and capacity, to encourage trade and direct growth-oriented investment, and to provide more effective official development assistance."

"[We are committed] to improving the effectiveness of Official Development Assistance (ODA), and strengthening ODA commitments for enhanced-partnership countries, including by:

– Ensuring effective implementation of the OECD-DAC recommendations on untying aid to the Least Developed Countries;

– Implementing effectively the OECD agreement to ensure that export credit support to low-income countries is not used for unproductive purposes;

– Supporting efforts within the DAC to reduce aid management burdens on partner countries and lower the transactions costs of aid;

– Taking all necessary steps to implement the pledges we made at Monterrey, including ODA level increases and aid effectiveness, and

– Reviewing annually, within the DAC and in co ordination with all relevant institutions, our progress towards the achievement in Africa of the Development Goals contained in the United Nations Millennium Declaration".

Decision by the OECD Council, 14 January 2004

THE COUNCIL

a) noted document C(2003)246;

b) noted the reports by the Chair of the Development Assistance Committee and the Chair of the Committee on Co-operation with Non-Members;

c) endorsed the proposal set out in the Appendix to C(2003)246 to launch the process for ECA/OECD-DAC "Mutual Reviews of Development Effectiveness" in the context of NEPAD;

d) noted that the Secretariat will inform the Council in case any adjustments to the proposed process are suggested by the NEPAD Heads of State and Government Implementing Committee and agreed to consider these adjustments in due course;

e) invited the Secretariat, subject to d) above, to undertake, in conjunction with the Secretariat of ECA, the necessary measures to implement the Mutual Review process and to report regularly to the Council on progress;

f) agreed to review this process after two cycles.