

# THE MUTUAL REVIEW of Development Effectiveness in Africa: Promise & Performance



A joint report by:  
the Economic Commission for Africa and the  
Organisation for Economic Co-operation and Development

2010



Prepared for the UN Summit on the Millennium Development Goals  
September 2010

## **ECONOMIC COMMISSION FOR AFRICA (ECA)**

The ECA was established by the Economic and Social Council (ECOSOC) of the United Nations (UN) in 1958 as one of the UN's five regional commissions. ECA's mandate is to promote the economic and social development of its member states, foster intra-regional integration and promote international co-operation for Africa's development. ECA's dual role as a regional arm of the UN, and a part of the regional institutional landscape in Africa, positions it well to make unique contributions to member states' efforts to address their development challenges. Its strength derives from its role as the only UN agency mandated to operate at the regional and subregional levels to harness resources and bring them to bear on Africa's priorities.

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The APF was established in 2003, following the G8 Evian Summit, as a Forum for high-level dialogue between Africa and its main development partners. Its purpose is to catalyse and support action on both sides of the partnership in support of Africa's development, to make recommendations to leaders on decisions that need to be taken in key regional and global processes, and to monitor the delivery of commitments by both sides of the partnership. It is composed of Personal Representatives of Heads of State or Government, or their equivalents, Personal Representatives of the Heads of African continental and regional organisations and relevant international development institutions.

# THE MUTUAL REVIEW of Development Effectiveness in Africa: Promise & Performance

The 2010 *Mutual Review of Development Effectiveness in Africa: Promise and Performance* has been jointly prepared by the United Nations Economic Commission for Africa (UNECA) and the Organisation for Economic Co-operation and Development (OECD) in close consultation with the NEPAD Agency (NPCA). The APF Support Unit has facilitated the preparation of this report.

[www.uneca.org](http://www.uneca.org)

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# 2010



# Preface

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The attainment of the MDGs in Africa has become particularly challenging against the background of the recent economic and financial crisis. The crisis has set back some of the progress that Africa had started to achieve, leaving the continent with steeper challenges to face over the next five years to the target date of 2015.

This context highlights the importance of reviewing both the delivery of commitments and the effectiveness of development policies. More than ever, we need to redouble our efforts to track and assess both achievements and gaps. This is the goal of this third joint report by the United Nations Economic Commission for Africa (UNECA) and the Organisation for Economic Co-operation and Development (OECD). It reviews the commitments undertaken by Africa and its development partners to support sustainable economic growth, invest in people, promote good governance and mobilise finance. In doing so, the report focuses on what has been done to deliver pledges, what results have been achieved and what the key future priorities are in order to secure faster progress against the MDGs.

The publication of this report coincides with the MDG Review Summit, to be held in New York. Its aim is to provide a practical tool to political leaders. It looks at Africa as a whole, whilst

recognising that there is a remarkable degree of variation and diversity within the continent.

We find that there continues to be mixed progress towards the delivery of commitments undertaken by African governments and their development partners. For instance, there have been considerable advances in areas such as governance, peace and security, primary education and the reduction of extreme poverty. But enormous challenges remain, including accelerating the rate of progress in bringing clean water and basic sanitation, and reducing the unacceptable levels of maternal and child mortality.

The development process in Africa is rightly being led by African governments and their peoples. It will depend increasingly on ever closer regional integration, in particular in areas such as infrastructure and tackling resource scarcities. But it is also inextricably linked, as the crisis has so vividly demonstrated, to what happens in the wider global economy. For instance, issues such as climate change are critical to Africa's development prospects, and such issues are continuing to re-define what is required of its partners in today's world.

Against this background, we identify three sets of priorities: for African governments, for their development partners and for the entire international community acting collectively.

### **We call on African governments**

- To maintain the momentum of reform in political and economic governance, and their collective efforts to bring greater peace and security to the continent;
- To deepen the process of regional integration, which we believe to be critical to achieving sustainable economic growth;
- To continue to increase domestic revenue, and to ensure that this is directed effectively towards meeting the MDGs.

### **We call on Africa's development partners**

- To complement Africa's efforts by stronger action in key areas of economic governance, such as tax and illicit capital flows;
- To build on their success in resisting protectionism by driving forward further multilateral trade liberalisation;
- To increase Africa's share of global ODA to better reflect Africa's projected share of the world's poor.

### **We call on the entire international community**

- To reach agreement on ambitious and binding targets for the reduction of carbon emissions, which is essential to achieving sustainable development in Africa;
- To allocate substantial, predictable and additional funding to enable Africa to cope with the impact of climate change;
- To ensure Africa's enhanced participation in any new arrangements for global governance.

We are grateful to African Heads of State and Government for the remit they have given to our two institutions to work together on this report. We hope that the report, and the collaborative process involved, will be a useful contribution in the pursuit of mutual accountability.



A handwritten signature in black ink that reads "Abdoulaye Jannet".

**Abdoulaye Jannet**  
*Executive Secretary*  
*UN Economic Commission*  
*for Africa (ECA)*



A handwritten signature in black ink that reads "Angel Gurría".

**Angel Gurría**  
*Secretary-General*  
*Organisation for Economic*  
*Co-operation and Development*  
*(OECD)*

# THE MUTUAL REVIEW of Development Effectiveness in Africa: Promise & Performance

A joint report by the Economic Commission  
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# Executive Summary

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This is the third Mutual Review of Development Effectiveness, undertaken jointly by the UN Economic Commission for Africa and the OECD. Its purpose is to assess what has been done by Africa and its development partners to deliver commitments in relation to development in Africa, what results have been achieved and what the key future priorities are.

There have been enormous changes since the last review was published in January 2009. This review is intended to reflect these changes and to feed into the MDG Review Summit in September 2010. It takes into account other important reviews in the run-up to the Summit, including the MDG Africa Working Group Review and the G8 Accountability Report. It looks at commitments made by political leaders collectively, rather than national governments individually. In doing so, it attempts to look at overall performance, recognising that within this there is a large degree of variation and diversity between countries. It is organised within the same four clusters of topics as the 2009 Review: sustainable economic growth, investing in people, good governance and financing for development.

## 1 *What are the main commitments by Africa and its development partners?*

The commitments by Africa and its development partners fall into three broad categories:

**African leaders** have made successive commitments within the AU/NEPAD framework since the turn of the Millennium, with a particularly strong focus on improving political and economic governance, and on the key role of continental and regional institutions in this context.

**Africa's partners** have made successive commitments in support of Africa's efforts, in relation both to financial support and to the wider policy agenda in particular, since 2005.

Finally, the **international community** as a whole has made new commitments during 2009–2010 in response to the financial and economic crisis, spanning the provision of resources, broader

global economic policy and institutional governance. These wider commitments, whilst not limited to Africa, nonetheless have a significant impact on helping Africa address the impact of the crisis.

## 2 *What has been done to deliver these commitments and how has this changed since the 2009 review?*

Overall, the picture continues to be broadly mixed in relation to the first two categories above: Africa's own commitments since the turn of the Millennium, and the corresponding commitments of development partners in support. Importantly, it is significantly more positive in relation to the more recent commitments made in 2009–2010, in particular in the G20 context: the urgency of responding to the crisis has meant that there has been rapid progress in delivering these commitments.

There is, however, considerable variation between different policy areas: in some, such as debt relief, domestic resource mobilisation, education, economic governance and peace and security, substantial progress has been made in delivering existing commitments, though there is still more to do in the future. In others, such as agriculture and food security, climate change, energy, environmental sustainability and water and sanitation, progress in delivering commitments has been much slower, and there remains a substantial agenda of unfinished business for both Africa and its partners. A continued and robust mutual accountability process will be important to help maintain political momentum on both sides of the partnership.

## 3 *What have the results been?*

The achievements of African governments on political and economic governance, and peace and security have been an important factor in helping the continent weather the impact of the crisis over 2009–2010. Improvements to macroeconomic frameworks



Image taken by Heige Fahringer ([www.heige.at](http://www.heige.at)) using a Nikon D100.

Place des Nations unies (United Nations Square), Ouagadougou, Burkina Faso.

have created the fiscal space for counter-cyclical policies, which have helped partly to cushion the impact of the crisis and provide a foundation for recovery. Improvements in political governance have helped to maintain political stability in the face of economic shocks. External financial support has held up in the face of fiscal pressures, even if at a level below earlier commitments. Trade is recovering dramatically, enabled in part by success in resisting protectionism during the crisis, even though discussions on further trade liberalisation on a global basis remain stalled.

At the same time, the impact of the crisis has still been severe. Although the picture varies significantly by sub-region, growth rates for the continent as a whole fell from an average of about 6% in 2006–2008 to 2.2% in 2009, meaning that the growth of per capita GDP came to a near standstill. Although forecasts for 2010 and 2011 are more positive, the loss of growth in 2009 and its impact over the next two to three years have set back

the impressive progress that Africa had started to make towards the Millennium Development Goals (MDGs), and has left the legacy of significantly greater challenges over the five-year period remaining, to 2015.

Two other significant developments since the last report in 2009 have been the greatly increased international attention on climate change and the growing engagement between Africa and emerging economies. There is increasing awareness of the fact that climate change – which is not a problem of Africa's making – will impose major costs and will have profound impacts on its prospects for economic growth and poverty reduction. The growing engagement with emerging economies – reflected in the diversification of Africa's trading partners – has been another key factor in helping to cushion the impact of the crisis, and will profoundly alter the development landscape to 2015 and beyond.

### 4 What, therefore, are the key future priorities for Africa and its partners?

The Review identifies nine key priorities – for Africa, for its partners and for the international community collectively, both at the MDG Review Summit and over the five-year period that follows, to 2015.

#### For Africa

*(i) Political and economic governance, and peace and security:*

The improvements, particularly when measured against the position at the turn of the millennium, have been substantial and important. The benefits have been clear during the crisis. But this is an unfinished agenda, as Africa's leaders recognise. Momentum needs to be maintained, building in particular on the active role being increasingly played by continental and regional institutions;

*(ii) Regional integration:* Deepening the process of regional integration emerges, as in the 2009 report, as a key cross-cutting theme. It is central to increasing the currently low levels of intra-African regional trade, and to building basic infrastructure in the continent; to tackling the looming problems of water and energy scarcity – exacerbated by the impact of climate change; and to restoring peace and security in regions currently affected by conflict and instability;

*(iii) Domestic revenue mobilisation and allocation:* Although domestic revenue has been hit hard by the crisis, particularly in resource-rich countries, it remains the major source of finance for virtually all African governments. This reflects both domestic efforts and external conditions. At the same time, performance continues to be varied, even across countries with broadly similar economies. Three key challenges over the next five years will be: to increase revenue mobilisation in those countries where performance is currently lagging; to develop new sources of revenue to take the place of customs duties as regional integration deepens; and to accelerate progress towards the sectoral allocations of public domestic resources that have been set as commitments by African leaders.

#### For Africa's partners

*(iv) Economic governance:* Africa's own efforts need to be complemented by significantly enhanced efforts from its partners in two key areas: tax, where continued efforts are needed to tackle issues such as tax havens and weak transfer pricing regimes, which are major obstacles to the efforts of African governments to increase domestic revenue mobilisation; and restriction of illicit capital flows, which continue to result in a major loss of the resources available to Africa for development;

*(v) Trade:* Trade is already contributing to recovery and is an essential element of sustained growth and development. Continuing to resist protectionist measures is necessary, but it is also insufficient. Further market opening is also needed. Africa's partners need to inject political will and momentum in order to reach an early, ambitious and balanced outcome to the WTO Doha Development Round;

*(vi) Official development assistance:* Although the level of ODA has increased since 2005, it is clear that the commitment – to double aid to Africa by 2010 – made at that time will not be reached. There are currently no such Africa-specific commitments for 2015. Africa's share of global ODA has fallen, from over 40% in 1990 to around 30 to 35% since 2000 (excluding temporary increases arising from exceptional debt relief), whilst Africa's share of the world's poor has risen, and is expected to reach around 40% in 2015. Africa's partners should commit to increasing Africa's share of global ODA to better reflect Africa's projected share of the world's poor.

#### For the entire international community

*(vii) Climate change:* Africa is profoundly affected by climate change. The development of a common African position meant that its voice was heard more clearly at Copenhagen in December 2009. Much remains to be done to take forward the Copenhagen Accord in Cancún in November–December 2010. It is vital for Africa's interests, and the achievement of the MDGs, that agreement should be reached on ambitious and binding targets for the reduction of emissions, in accordance with the principles of common but differentiated responsibilities;



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(viii) *Climate finance*: Climate change finance is expected to approach US\$30 billion for the period 2010–2012 and US\$100 billion per annum by 2020. It will represent a potential major source of new funds for Africa. Three key principles should guide discussion at the Cancún climate negotiations meeting: firstly, the additionality, predictability and reliability of funds; secondly, an allocation mechanism that would deliver substantial resources to Africa in line with both its needs and its own constrained resources; thirdly, a delivery mechanism that will be simple and efficient, reflecting both the lessons learned from and the principles agreed on aid effectiveness.

(ix) *Global governance*: The arrangements for global governance have changed dramatically since the last report, with the emergence of the G20 as the main forum on global economic management, and significant institutional reforms at the international financial institutions. This is, however, an unfinished agenda. It is important to ensure Africa's enhanced participation in any new arrangements for global governance.



# Cluster Overviews

Cluster I: Sustainable Economic Growth

Cluster II: Investing in People

Cluster III: Good Governance

Cluster IV: Financing for Development

## Cluster I Overview

# SUSTAINABLE ECONOMIC GROWTH

- Trade and diversification ■ Agriculture and food security ■ Infrastructure ■ The private sector
- Environmental sustainability ■ Climate change

## Key commitments

**African governments** have consistently emphasised the importance of economic growth to the achievement of the MDGs. They have made broad commitments to promote trade, including intra-regional trade, and enhance competitiveness. They have made a series of declarations identifying objectives on agriculture and food security, including a specific commitment to increase public investment in agriculture. They have committed to creating an improved business environment, and have set out strategies for the development of infrastructure covering water, energy, transport and ICT. They have made commitments to promote environmental sustainability and to integrate climate change adaptation strategies into national and regional development policies. Finally, they have placed growing emphasis on the importance of regional institutions and regional integration in all these areas.

**Development partners** have in turn increasingly recognised the importance of economic growth for the MDGs. They have made specific commitments on trade during the crisis, including keeping markets open and enacting measures to keep trade flowing. They have continued to re-affirm support for multilateral trade negotiations in the WTO, including measures to improve market access and reduce trade-distorting subsidies in agriculture. They have also made specific financial commitments to help improve food security, and have undertaken to increase support for the development of infrastructure, where they have pledged to help mobilise both public resources and increased private sector participation. They have made broader commitments to support the development of the private sector and to help promote environmental sustainability. Finally, they have made specific commitments to reduce carbon emissions over the period to 2012 under the Kyoto Protocol, and as signatories to the Copenhagen Accord, they have agreed to implement further emission reductions in the post-2012 period. The commitments in the Accord on climate change financing are considered in Cluster IV (Topic 18).

## What has been done to deliver on these commitments?

**Most African governments** had made substantial progress before the crisis in delivering macro-economic reform and stability. Positive progress has been made in simplifying economic regulations and strengthening the institutional environment for doing business, and in some areas of trade policy, such as the reduction of import tariffs, elimination of most export taxes and easing quantitative restrictions. On infrastructure, some progress has also been made in areas such as regulatory reform, and in preparing strategic frameworks in subsectors such as road transport and ICT. Set against this, there has been little progress in increasing public investment in agriculture; progress towards expanding regional trade has been slow and continues to be hampered by obstacles to cross-border trade, both physical and regulatory, and the picture on infrastructure continues to be mixed, with slower progress in access, water and sanitation in particular. African countries (with one exception) rank in the bottom half of the 2010 Environmental Performance Index (EPI) – which ranks 163 countries on 25 performance indicators.

**Development partners** have largely delivered on their commitments during the crisis to keep markets open and to take measures to keep trade flowing. However, multilateral trade negotiations in the WTO remain stalled, and large-scale domestic support measures remain in place in agriculture, as do tariffs on imports of agricultural commodities. This continues to be of key significance for Africa. Data is not yet available on delivery of the specific pledges made in 2009 on food security, but earlier commitments to reverse the funding decline in agriculture has led to consistent increases in assistance to the sector in Africa since 2005. The initiatives launched after 2005 to promote private sector investment and infrastructure development, such as the Investment Climate Facility and the Infrastructure Consortium for Africa, have resulted in a significant increase in funding, particularly for energy and transport, though commitments for water decreased in 2009. Non-traditional investors and donors have become more important. Funding



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related to environmental sustainability has increased steadily. In aggregate, parties to the Kyoto Protocol reduced emissions by 15.2% between 1990 and 2008, although combined reductions by industrialised countries are lower.

## What results have been achieved?

**Economic growth:** Growth in Africa was 5.6% in 2008, the fifth consecutive year above 5%. The success of macro-economic policy along with the diversification of trading partners has helped to cushion the

impact of the crisis. Even so, growth is estimated to have fallen to 2.2% in 2009, though this figure conceals sharp regional variations, with Southern Africa particularly hard hit. Growth is expected to rebound partially to 5.0% in 2010 for sub-Saharan Africa, according to the latest IMF World Economic Outlook update. North Africa is expected to experience a similar rebound, although at slightly more moderate rates;

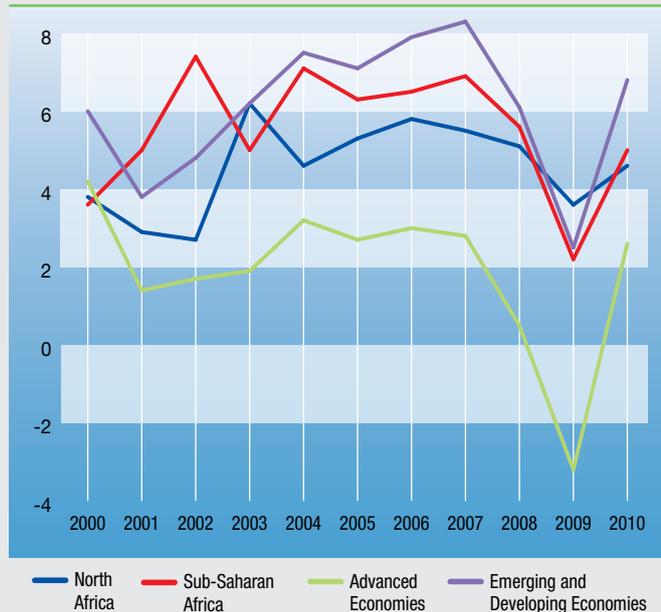
**Trade and agriculture:** Export performance was affected by both lower volumes and sharply lower commodity prices and experienced a sharp slowdown in 2009. Africa remains highly dependent on a narrow range of export commodities, and intra-African trade remains at a low level. Productivity growth across most of the continent remains among the lowest in the world. Whilst 10 countries have achieved rates of agricultural growth in excess of 6%, on average, the agriculture sector grew on average at 3.2% in the last 10 years in sub-Saharan Africa, thus reducing the share of that sector in the overall economy;

**Private sector:** The ease of doing business continued to improve over 2008/2009, the availability of credit to the private sector has improved and capital markets have continued to develop. However, with few exceptions, costs still remain among the highest in the world;

**Infrastructure:** The picture is mixed. ICT has been a success story. But access to electricity in sub-Saharan Africa is still only around half the level in South Asia with similar levels of per capita income. Progress in providing access to clean drinking water and basic sanitation has been extremely slow. Limited infrastructure, including regional infrastructure, remains a key bottleneck to intra-regional trade and economic growth, and costs remain high compared to other developing regions;

**Environment/climate change:** Desertification and land degradation are major problems and are expected to worsen with climate change. It is estimated that land degradation already affects almost two-thirds of the entire African population. Climate change is expected to have a disproportionate effect on Africa, reducing the area available for agriculture, reducing yields and increasing water stress.

**Real GDP growth (annual % change)**



Copyright: ©IMF, 2010 Source: World Economic Outlook, July 2010 Update.

### Africa's high-cost infrastructure

Sector	Africa	Other Developing Regions
Power tariffs (\$ per kilowatt-hour)	0.02–0.46	0.05–0.1
Water tariffs (\$ per cubic meter)	0.86–6.56	0.03–0.6
Road freight tariffs (\$ per ton-kilometer)	0.04–0.14	0.01–0.04
Mobile telephony (\$ per basket per month)	2.6–21.0	9.9
International telephony (\$ per 3-minute call to United States)	0.44–12.5	2.0

Sources: Banerjee and others, 2008; Eberhard and others, 2008; Mingers and others, 2008; Teravaninthorn and Raballand, 2008.

Note: Ranges reflect prices in different countries and various consumption levels.

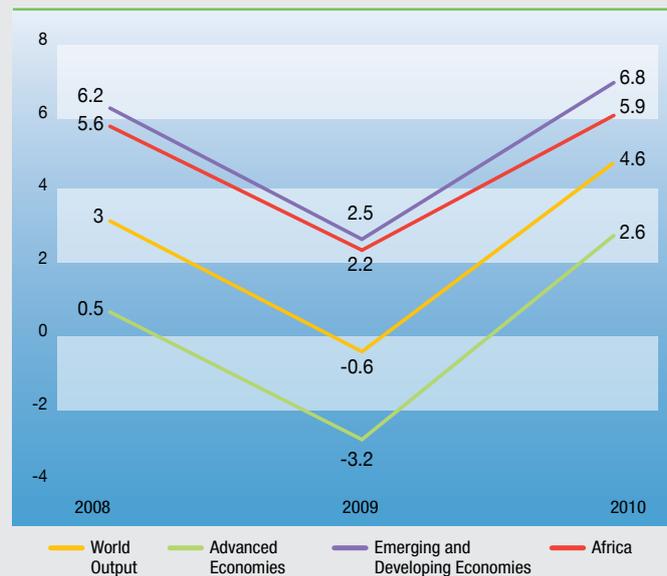
Prices for telephony and Internet represent all developing regions, including Africa.

## What are the future priority actions?

### Africa

- Intensify efforts to remove obstacles to trade, including intra-regional trade, and to promote regional integration;
- Continue efforts to improve the investment climate, to reduce the costs of doing business and to promote access to finance, especially for small- and medium-scale enterprises;
- Increase public investment in key productive sectors – agriculture and infrastructure;
- Mainstream environmental sustainability and climate adaptation into national and regional economic planning.

### The global outlook (GDP % change from previous year)



Source: IMF World Economic Outlook, July 2010 Update.

### Development partners

- Continue to resist protectionist measures in response to the crisis, take action to open markets further and, in particular, to inject renewed momentum in order to reach an early, ambitious and balanced outcome to the WTO Doha Development Round;
- Consider further ways of promoting partnership with the private sector; in particular, and overcoming infrastructure bottlenecks;
- Deliver fully on emissions reductions commitments for 2012, and commit to quantified, measurable, reportable and verifiable economy-wide emissions targets for 2020, consistent with containing the increase in average global temperature below 2 degrees Celsius.

# INVESTING IN PEOPLE

■ Education ■ Health ■ Promoting gender equality and women's empowerment



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## Key commitments

**African governments** have made a succession of broad and specific commitments to scale up resources for education and health, and have adopted important policy initiatives to integrate gender across political, economic and social spheres. African governments have committed to Education for All (EFA) goals, focusing particularly on primary education under the 2000 Dakar Framework for Action, and later developed a tertiary and vocational agenda during the 2nd Decade of Education for Africa in 2006. A number of governments have since committed to the Fast Track Initiative (FTI) and to developing long-term costed plans to achieve EFA. They have specifically committed to spend 15% of their budgets on health and to strengthen health systems more generally, in addition to taking action to address diseases such as HIV/AIDS, malaria and tuberculosis. Maternal and child health provided the focus for the July 2010 AU Summit. A series of charters and declarations on women's rights and gender equity cover a broad range of issues, including political representation, land and property rights and specific concerns of health and education.

**Development partners** have likewise sought to build resources and support Africa in these initiatives. At Gleneagles they reaffirmed their pledge to attain the MDG goal of universal primary education by 2015, and have since reiterated a more modest commitment to meet funding shortfalls of FTI-endorsed countries. They have also committed to boost the limited supply of qualified teachers in low-income countries. G8 summits in particular have identified health as a priority in their African investments, pledging an additional US\$60 billion over 2006–2011. Early commitments since 2005 emphasised specific diseases and channelling resources through vertical funds, and have broadened more recently to include the strengthening of health systems and health worker training, in addition to a US\$5 billion pledge to address maternal mortality over 2010–2015. Broad statements of support characterise a succession of commitments on gender and women's empowerment.

## What has been done to deliver on these commitments?

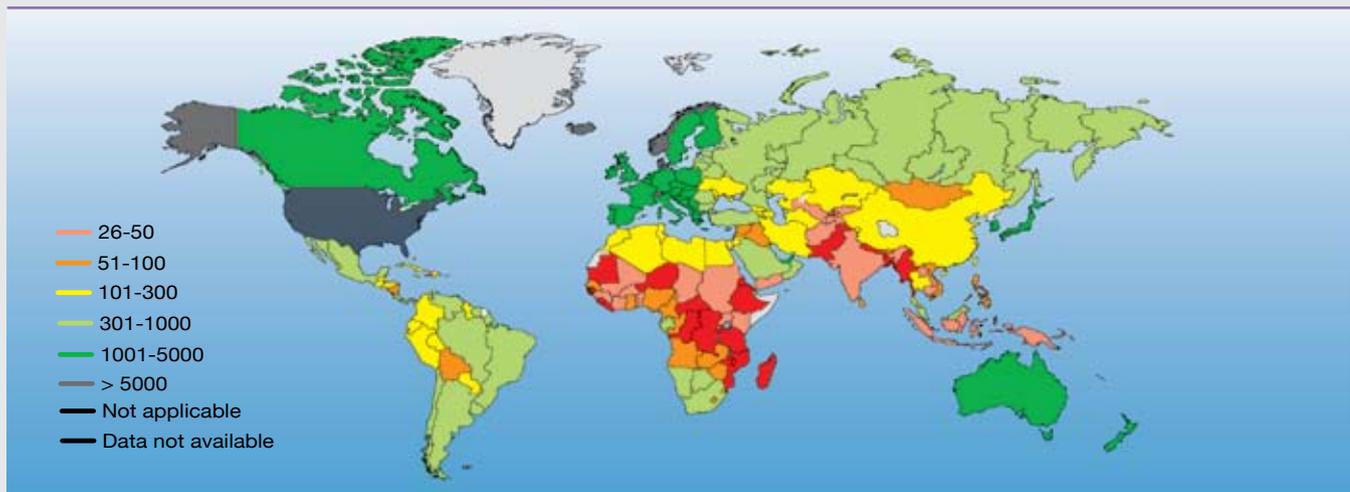
**Progress by African governments** is mixed. They have scaled up domestic resources for education, measured both as a proportion of GDP and as a proportion of total government expenditure: sub-Saharan Africa countries for which data is available reached an average of 20.3% of government expenditure in 2008, compared with 17% in more than half the countries in 2006. By mid-2010, 24 African countries had national education plans endorsed by FTI, one more than last year. Data on African government expenditures on health is limited, but available evidence suggests that progress towards the 15% target has been slow, with average allocations increasing from 8.7% to 9.6% of total government expenditure between 2006 and 2007. All countries have developed national plans or strategies to promote comprehensive HIV treatment, and 10 have adopted measures to promote maternal and child health. Despite early encouraging progress in the ratification of the Protocol on the Rights of Women in Africa,

*Girls primary school enrolment in relation to boys (girls per 100 boys)*



Source: United Nations Millennium Development Goals Report, 2010.

### Total expenditure on health per capita, 2007 (US\$)



Source: National Health Accounts series, World Health Organization. Based on data updated in March 2010.

more recent developments have stalled – still only half of African countries have ratified, and subsequent implementation is yet to get off the ground.

**Support from development partners** has also been mixed. Following dramatic increases in basic education assistance in 2006, levels have since been in decline. Assistance to secondary education remains consistently less than half that of basic education. Development partners have almost doubled commitments to health in Africa in real terms since Gleneagles, reaching US\$9.4 billion in 2008. Investment in fighting infectious diseases accounts for the vast majority of this increase, whilst assistance to health systems has remained flat over the last decade and has fallen as a proportion of total health spending. In 2008, bilateral development partners allocated US\$12.5 billion to activities supporting gender equality in Africa, almost 60% of the global total. This represents a significant increase on previous years.

## What results have been achieved?

**Education:** Investment in primary education by both African countries and development partners has generated substantial results. Net primary education enrolment has increased in all African countries, on average from 58% in 1999 to 76% in 2008 in sub-Saharan Africa (the fastest increase of any region), and from 86% to 94% in North Africa over the same period. The majority of African countries will meet MDG primary enrolment and gender parity targets. However, enrolling the remaining children, many of whom are in fragile states, remote areas or face other forms of marginalisation, will be a greater challenge. Further, completion rates have increased at a much slower rate. This is mirrored by poor indicators of education quality, exacerbated by a lack of trained teachers. Underinvestment in secondary and tertiary education, and the subsequent curtailment on employment opportunities, has also become an increasing concern;

**Health:** Significant improvements have been made in health, particularly against infectious diseases. African HIV prevalence rates have fallen from 5.8% to 5.2% over 2001–2008. Use of insecticide-treated bed nets in sub-Saharan Africa has increased more than threefold over 2004–2008, with corresponding declines in malaria infections in a number of countries. Under-five mortality rates have fallen from 184 to 144 per 1,000 live births between 1990 and 2008, with even more dramatic declines in Northern Africa. However, significant challenges remain. Africa remains the region most heavily affected by HIV/AIDS, with consistently higher infection rates for women compared to men. Progress in maternal mortality remains off track. Health systems have not benefited from vertical funds and typically lack national financing. This presents a serious challenge to the sustainability of gains already made, particularly when combined with poor progress in water and sanitation infrastructure (see also Cluster I);

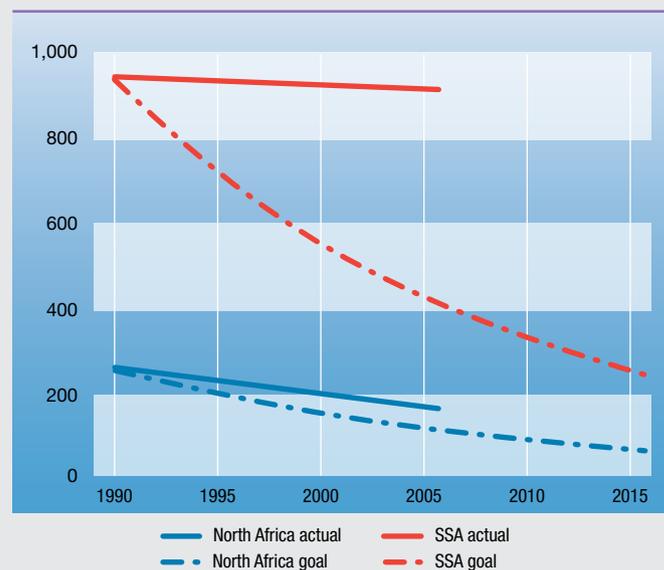
**Gender:** A series of strong protocols have been hampered by limited ratification and stalled implementation. There has been some progress in the social sphere, such as near gender parity in primary education. Representation of women in government is increasing, and 20% or more of ministers are women in 18 countries. Progress in economic areas, however, remains limited. Increased trends of economic participation is largely confined to small-scale enterprises with little opportunity for expansion, and in most countries women remain poorly represented in economic policy and wider decision-making processes.

## What are the future priority actions?

### Africa

- Maintain progress in primary education through increased targeting of marginalised children, and increase investments at secondary and tertiary levels;
- Increase overall investments in health, with a particular focus on health systems, in conjunction with heightened attention to water and sanitation infrastructure;
- Build skilled workforce capacity in health and education through improved training, incentives and resources, supported by more innova-

**Maternal mortality rates and targets in North and sub-Saharan Africa (deaths per 100,000 live births)**



Source: United Nations Millennium Development Goals Report (2010).

tive health workforce management practices;

- Move beyond gender policies and plans to full ratification, implementation and enforcement, together with rigorous monitoring mechanisms to track progress.

### Development partners

- Continue progress made in education assistance with an increased attention to African priorities, including a less exclusive focus on primary education and recognition of the importance of post-primary and tertiary investment;
- Maintain commitments on infectious diseases, and balance such effort with increased investment in health systems and local capacity, supported by more responsible approaches to scarce skilled labour recruitment from industrialised countries.

## Cluster III Overview

# GOOD GOVERNANCE

■ Political Governance ■ Economic governance ■ Peace and security ■ Global governance and institutions

## Key commitments

**African governments** have emphasised that good governance and peace and security are essential prerequisites to sustainable development and poverty reduction, and have made a series of collective landmark commitments in this area since the establishment of the AU/NEPAD. These encompass commitments both to democratic political processes and to human rights, and to improvements in economic governance, including public financial management and tackling corruption. A key change since the establishment of the AU/NEPAD has been the commitment to take collective action wherever necessary, through continental and regional institutions, to promote good governance and peace and security. African governments have established practical collaborative mechanisms to promote improved governance, notably the Africa Peer Review Mechanism (APRM), and continental and regional mechanisms for the prevention, management and resolution of disputes and conflicts, particularly the African Peace and Security Architecture of the AU. These are complemented by commitments on the illicit trade in small arms and light weapons.

**Development partners** have affirmed their strong support for these objectives. On economic governance, they have recognised the important role of international action in areas such as tackling bribery and corruption, promoting transparency, particularly in the extractive industries sector, and tackling tax havens, as well as improving the way in which aid is delivered (see also Cluster IV). They have made specific commitments on tackling bribery and corruption within the framework of OECD instruments, and to identifying and returning illegally acquired assets. In response to the crisis, they made specific further commitments within the G20 framework to tackle the issue of tax havens, reinforcing related commitments on illicit financial flows. On peace and security, they have focused in particular on supporting Africa's efforts to undertake peace operations, notably through specific commitments for the training and equipping of African peacekeeping forces, as well as commitments to provide financial assistance. They are also signatories to broader international instruments in the area of small arms and light

weapons. On broader global governance issues, they have undertaken to support reforms at the international financial institutions designed to increase Africa's representation and voice.

## What has been done to deliver on these commitments?

**African governments** have taken a strong stance in both continental and regional institutions in condemning recent coups and violent electoral practices. They have begun to step up the pace of reviews under the APRM – 13 countries have now completed the process compared to 5 at the time of the 2009 MRDE – though the number of countries that have joined the APRM has increased only marginally, from 29 to 30 since early 2009. The AU Convention on Corruption which entered into force in 2006, has been ratified by 31 countries, though many have yet to develop comprehensive strategies for its implementation. New resources have been allocated from the AU budget specifically for anti-corruption activities. Action has been taken in other areas, including the private sector (see Cluster I) and domestic revenue (see Cluster IV). Several peace operations have been undertaken by the AU or sub-regional organisations, ranging from small-scale interventions to full-blown peace support operations, and at least three of the five regional brigades making up the Africa Standby Force are nearing completion. However, sufficient and predictable funding continues to be, as in the 2009 Report, a major constraint on peacekeeping by the AU. Much also remains to be done to implement fully the regional agreements on small arms and light weapons.

**Development partners** have renewed political momentum to international action on economic governance issues over the last year in response to the crisis, including at successive G20 Summits. The number of investigations/prosecutions/convictions arising from legislation under the OECD Anti-Bribery Convention has increased, with 280 investigations currently ongoing in 21 countries. The commitment to train an additional 75,000 peacekeepers by 2010 has been delivered, and significant financial support has been provided for AU-led peace



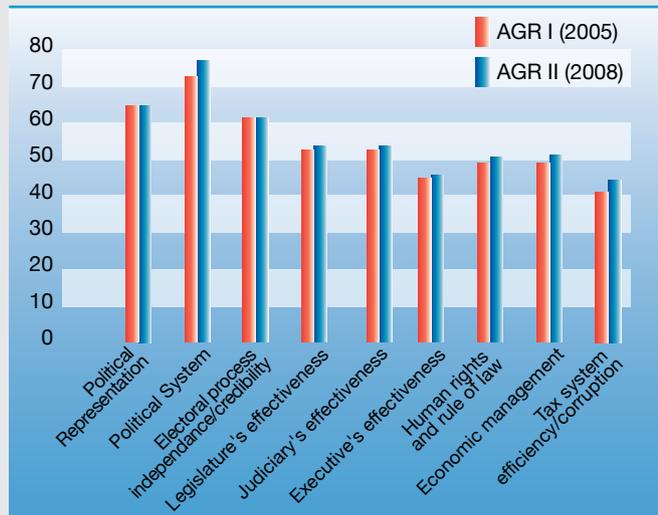
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support operations, the costs of which continue to be largely met by development partners. However, funding remains insufficient to meet needs and continues to be provided through multiple funding channels, often on an *ad hoc* basis and with constraints on how this can be used, as highlighted in the 2009 MRDE Report. The implementation of international agreements on small arms and light weapons continues to be uneven. On broader global governance issues, reforms to World Bank governance have been introduced, and reforms to IMF governance are due to be agreed by spring 2011.

## What results have been achieved?

**Political processes:** Progress continues to be mixed. Political liberalisation continues to make headway as more countries open up their

**Governance trends in Africa (Index Score)**



Source: UNECA Expert Panel Surveys, Africa Governance Report 2005, 2009.

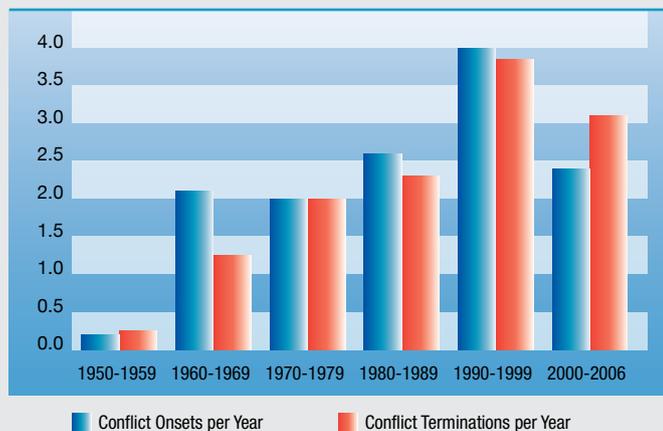
systems to competing political parties. Elections have become the norm rather than the exception: well over half the countries in Africa will have held elections during 2009 and 2010. Yet the quality of elections remains uneven: some have led to a peaceful transition of government but others have resulted in violence. Moreover, despite on-going reforms and constitutional changes to increase institutional checks and balances, the latest ECA Africa Governance Report found that the executive still tended to dominate the legislature and judiciary in many countries;

**Economic governance:** There have been important improvements in macro-economic management, which have allowed many governments the fiscal space to take counter-cyclical fiscal measures to help cushion the impact of the crisis (see also Cluster I). There have also been improvements to the private sector environment and corporate governance (see Cluster I), and public financial management including domestic resource mobilisation (see Cluster IV). There has been progress in anti-corruption investigations and convictions in several countries. Yet the costs of corruption are still estimated to account for 10% of Africa's resource-generated wealth, and progress in stemming illicit capital flows and identifying and returning stolen assets continues to be slow, with only a fraction of stolen assets being returned to countries of origin;

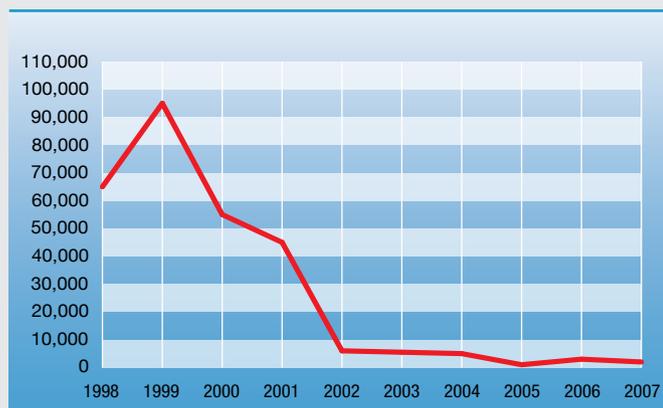
**Peace and security:** Measured over the longer-term, the overall trend is positive. After increasing steadily through to the early 1990s, the number of armed conflicts has decreased by over a third, and the number of conflict-related deaths appears to have fallen significantly. The active intervention of the AU has helped to ensure the smooth transition back to civilian government after recent coups on the continent. However, Africa continues to have the largest number of armed conflicts of any region. In early 2010, seven African countries were experiencing major armed conflicts within their territory, and around one-fifth of the continent's population was living in conflict zones;

**Global governance:** Reforms at the international financial institutions are increasing Africa's voice at these institutions. But the wider arrangements for global governance have also changed dramatically since the

*Average number of conflict onsets and terminations in sub-Saharan Africa, by decade, 1950–2006*



*State-based conflict-related deaths in sub-Saharan Africa 1998–2007*



Source: UCDP/Human Security Report Project.

2009 MRDE Report, with the emergence of the G20 as the premier forum on global economic management. Whilst Africa is not, as such, a member of the G20, it has been represented by the AU/NEPAD at recent Summits.

## What are the future priority actions?

### Africa

- Maintain the momentum of improvements to political governance, including through the active intervention of continental and regional institutions, increased checks and balances on the role of the executive and the accelerated roll-out of the APRM process and implementation of National Programmes of Action resulting from this;
- Maintain the momentum of improvements to economic governance, including improving the private sector environment, improving business transparency and the management of revenues, particularly in the extractive industries sector, and fully implementing the AU Convention on Corruption;
- Continue to engage actively in the prevention, management and resolution of conflict through continental and regional institutions, within the framework of the African Peace and Security Architecture.

### Development partners

- Enhance efforts in two key areas of international economic governance: tax, where continued efforts are needed to tackle issues such as tax havens and transfer pricing, which impact on the ability of African governments to mobilise domestic revenue (see also Cluster IV); and illicit capital flows, which continue to result in a major loss of the resources available to Africa for development;
- Support the establishment of a multi-donor Trust Fund to provide secure and predictable financing for UN-mandated peace operations undertaken by the AU.

### African governments and development partners

- Ensure Africa's enhanced participation in any new arrangements for global governance.

# FINANCING FOR DEVELOPMENT



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■ Domestic public resources for development ■ Foreign direct investment and other private financial flows ■ Development assistance ■ External debt ■ Climate financing

## Key commitments

**African governments** have emphasised the importance of domestic savings and improvements in public revenue collection, as well as the importance of private capital flows as sources for development. They have emphasised on many occasions their commitment to mobilise additional domestic resources, and to improve the investment climate in order to attract increased domestic and foreign investment, though without setting quantified time-bound targets. They have, however, set quantified targets in relation to sectoral expenditure in both the productive and the social sectors – Cluster I (for agriculture) and Cluster II (for health).

**Development partners** made specific commitments in relation to aid volumes, aid effectiveness, debt relief and innovative financing mechanisms in 2005, and more recently pledged to take stronger action against tax havens. The commitments on aid volumes were estimated at the time to amount to an increase of US\$25 billion a year in 2004 prices and exchange rates by 2010, compared to a 2004 baseline. Further commitments were made in 2009 to increase the resources provided by the international financial institutions (IFIs), in response to the global crisis. Although these were not Africa-specific, both the delivery and the implications for Africa can be measured. There is no donor-wide commitment in relation to levels of development assistance to Africa beyond 2010, though some donors have made individual commitments. At the UNFCCC Conference in Copenhagen in December 2009, developed countries agreed to provide new and additional resources approaching US\$30 billion over 2010–2012 to address the climate change financing needs of developing countries, and to a more ambitious goal of mobilizing jointly US\$100 billion a year by 2020 from public and private sources, including alternative sources of finance.

## What has been done to deliver on these commitments?

**Most African governments** had made substantial progress before the crisis in raising the ratio of government revenue to GDP, which in-

creased from an average of 21% to over 27% between 2001 and 2008 for sub-Saharan Africa; the revenue/GDP ratio exceeded 40% for North Africa in 2008. The domestic savings ratio, which includes both public and private savings, has increased less sharply over this period. However, the ratio of revenue to GDP is estimated to have fallen back to 22.7% in 2009 due to the impact of sharply lower commodity prices and tax reductions/exemptions as part of a more expansionary counter-cyclical fiscal policy. Moreover, revenue performance remains uneven even among similar countries: although half of Africa is now collecting over 20% of GDP as domestic revenue, a quarter of governments in sub-Saharan Africa still collect less than 15% of GDP in domestic revenue. Progress in meeting sectoral allocation targets has been patchy, though more systematic and comprehensive data is needed in this area. And the increase in domestic savings has been concentrated in resource-rich countries: overall, the savings rate remains significantly below that of other developing regions.

**Support from development partners** has held up in the face of fiscal pressures resulting from the crisis, though the rate of increase has slowed markedly. It is now estimated that donors will deliver in 2010 about half the increase in aid to Africa to which they committed in 2005. The shortfall is due to two factors: donors are expected to deliver around two-thirds of the overall aid increase to which they committed; and Africa is expected to receive only around a third of the smaller increase (compared to the half assumed in 2005). Set against this, the specific commitments made in 2009 in relation to support by multilateral agencies were delivered and resulted in significant new resources.

Little systematic evidence is available on further progress in aid effectiveness since the adoption of the Accra Agenda for Action in 2008, and it remains likely that many of the specific targets for 2010 set out in the 2005 Paris Declaration will not be met. Further evidence is expected to be available ahead of the Seoul Conference on Aid Effectiveness in 2011.

There has been significant progress on tax transparency and information exchange: nearly 400 tax information exchange agreements have been signed since the G20 Summit in April 2009.

Commitments on debt relief have been largely delivered but there are concerns about debt sustainability in several African countries. Some limited progress has been made in mobilising additional funds for climate change finance over 2010–2012, and a High-Level Panel is developing proposals for longer-term financing ahead of the next UN-FCCC Conference in Mexico in December 2010.

## What results have been achieved?

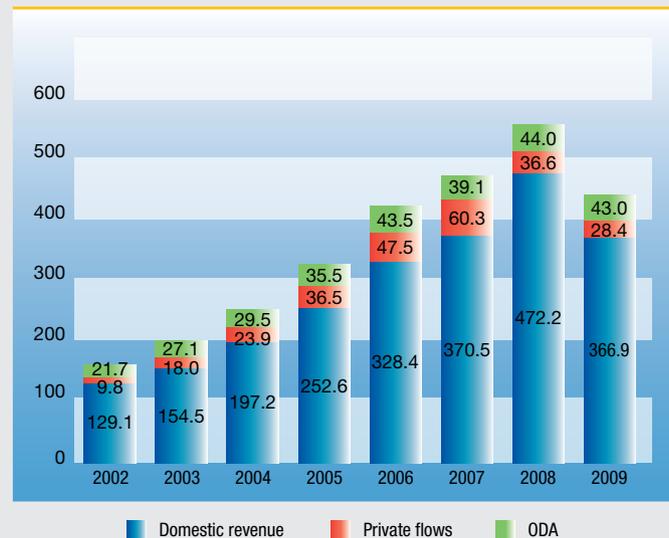
Total development finance (including domestic revenue, private flows and ODA) rose in 2008 as it had done in every year since 2002, reaching a new peak of over US\$550 billion. This was over three times the level of US\$160 billion in 2002. However, it fell sharply in 2009 to US\$438 billion due primarily to the impact of the crisis on domestic revenue – which fell from US\$472 billion to US\$367 billion. The bulk of the decline in domestic revenue was borne by oil exporters. In relative terms, domestic revenue declined by slightly over 20% in both North and sub-Saharan Africa. The total financing for development from all three sources in 2009 was more than 20% below 2008 levels.

Despite this steep decline, **domestic revenue** remained much the most significant source of finance, continuing to account for over 80% of the total from all three sources, though the picture varies significantly across oil exporters, middle-income countries, low-income countries and fragile states. Overall proportions have been in the range of 75 to 85% since 2002 for Africa, and in excess of 90% for North Africa, reflecting the much stronger African leadership of its development efforts since the reforms that followed the establishment of the AU/NEPAD at the turn of the Millennium.

**Private flows** fell in both 2008 and 2009, again due to the impact of the crisis. FDI held up well initially, increasing slightly in 2008, before falling back in 2009. Portfolio investment fell in 2008 but recovered in 2009. But other flows turned sharply negative as access to international bond markets was turned off.

**ODA** increased to US\$44 billion in 2008 and remained at broadly the same level (US\$43 billion) in 2009. This is significantly below the

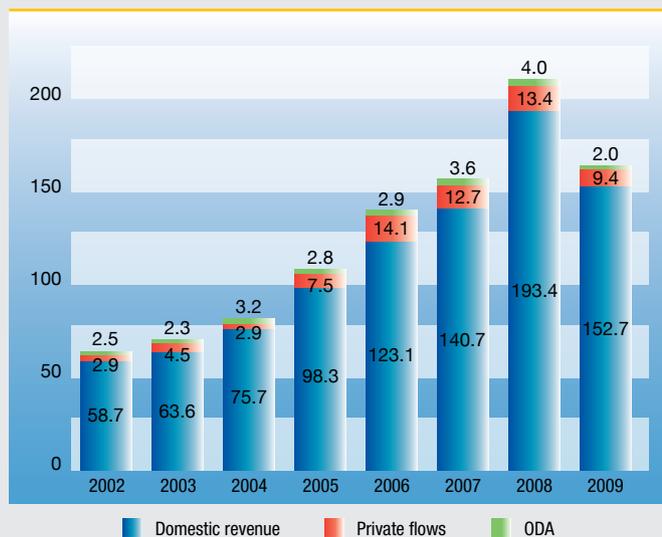
**Development finance to Africa (US\$ billion)**



Sources (for all three graphs): World Bank Global Development Finance (2010), IMF Regional Economic Outlooks (April 2010) and OECD DAC.

figure of around US\$61 billion (2009 prices) implied by the 2005 commitments. Assuming a small further increase in 2010, Africa would receive around 75% of the figure of US\$61 billion above – representing a shortfall of around US\$15 to 16 billion. This adds to the significantly larger loss of domestic revenue above. It is partly offset by some of the additional resources provided outside ODA through the IFIs in 2009, such as the Special Drawing Rights (SDR) allocations. Africa's share of global ODA will, however, have remained largely unchanged at 30 to 35% since 2000 (excluding temporary increases arising from exceptional debt relief), well below its 44% share of global ODA in 1990 and its 40% expected share of the world's poor by 2015.

Development finance to North Africa (US\$ billion)



Development finance to sub-Saharan Africa (US\$ billion)



## What are the future priority actions?

### Africa

- Increase domestic revenue in those countries where performance is currently lagging, and develop new sources of revenue to take the place of customs duties as regional integration deepens;
- Ensure that this is directed effectively towards meeting the MDGs;
- Continue to improve economic governance and the private sector environment in order to attract increased private investment, both domestic and external (see also Clusters I and III).

### Development partners

- Support the efforts of African governments to mobilise domestic revenue

by significantly enhanced efforts to tackle issues such as tax havens, transfer pricing and illicit capital flows (see also Cluster IV);

- Deliver existing commitments to increase global ODA over 2010–2015, and increase Africa's share of this to better reflect its share of the world's poor in 2015;
- Significantly accelerate efforts to improve aid effectiveness in order to reach the targets agreed in the Accra Agenda for Action ahead of the Third Conference on Aid Effectiveness in Seoul in 2011;
- Deliver the commitments made at Copenhagen on climate finance, ensuring that this is additional, that substantial resources are delivered to Africa in line with its needs and the constraints on its own resources and that the delivery mechanism is cost efficient.



# PART II

## TOPICS

### **Cluster I: Sustainable Economic Growth**

*Trade and diversification  
Agriculture and food security  
Infrastructure  
The private sector  
Environmental sustainability  
Climate change*

### **Cluster II: Investing in People**

*Education  
Health  
Promoting gender equality  
and women's empowerment*

### **Cluster III: Good Governance**

*Political governance  
Economic governance  
Peace and security  
Global governance and institutions*

### **Cluster IV: Financing for Development**

*Domestic public resources for development  
Foreign direct investment and other private flows  
Development assistance  
External debt  
Climate financing*

## Topic 1

## TRADE &amp; DIVERSIFICATION

## Key commitments

**Africa:** African governments have consistently emphasised the importance of trade and have made three broad, inter-related commitments: (a) to reduce supply-side constraints and improve competitiveness; (b) to take practical steps to reduce trade barriers and facilitate trade; (c) to deepen regional integration. Most recent commitments emphasise regional integration, modernising domestic and regional trading systems and removing obstacles to trans-border trades.

**Development partners:** Development partners have made four broad commitments. They have consistently reiterated long-standing commitments: (a) to bring the Doha Development Round to a balanced and ambitious conclusion as soon as possible; and (b) to expand Aid for Trade (AfT). In response to the crisis, they have made further commitments, in particular at successive G20 Summits: (c) to keep markets open, and to refrain from raising new trade barriers, imposing new export restrictions or implementing other World Trade Organization (WTO) inconsistent measures (this commitment has recently been extended to 2013); (d) to keep trade flowing, including through US\$50 billion of trade liquidity support for developing countries over 2009–2012 provided through export credit agencies and multilateral development banks.

## What has been done to deliver on these commitments?

**Africa:** African governments and Regional Economic Communities (RECs) are taking some steps to tackle supply-side and competitiveness problems, demonstrated by the high level of investments in infrastructure and productive capacity building (see also Topic 3). Average tariffs have fallen, through unilateral measures and implementation of regional integration protocols. Progress is being made on establishing regional free trade areas (FTAs) and customs unions. Although the rate of progress varies considerably and some RECs are behind schedule, an ambitious project of an FTA between COMESA, EAC and SADC

has the potential to integrate half of the countries in Africa. Joint infrastructure projects such as the North-South Corridor, which include improvements in border administration, have been initiated as part of this development.

**Development partners:** There has been little progress on the Doha Round. Strong political statements have not translated into concrete progress in negotiations. Domestic support and export subsidies (including for cotton) remain in major OECD economies. Rules of origin remain fragmented and complex and limit optimal use of preferential market access schemes.

Set against this, there has been some progress on duty and quota-free market access for least developed countries (LDCs), with several emerging economies introducing preferential schemes based on the agreement at the WTO Ministerial meeting in 2005.

Aid for Trade (AfT) has increased. Commitments to Africa rose beyond US\$12.5 billion in 2008, more than 25% in constant prices above the 2007 figure. The focus has been on infrastructure and productive capacity, including support for the North-South Corridor project (above) (see also Topic 3). Nevertheless, progress at country level has been uneven, and the share of AfT dealing with adjustment costs, crucial to countries experiencing revenue loss due to tariff reform, preference erosion and diminishing terms of trade, is still very low.

The picture on commitments made in response to the financial crisis is positive. The latest joint monitoring report from the WTO, OECD and UNCTAD indicates that G20 governments have largely resisted pressures to erect trade restrictions, although there are still some instances of restrictive measures. Significant trade liquidity support has been provided, and there has been little evidence of lack of trade finance in Africa.

## What results have been achieved?

In the years before the crisis, world trade grew rapidly and Africa benefitted from this. Africa's share of world merchandise trade increased to 3.2% in 2008 from 2.8% in 2007, representing a recovery from the low

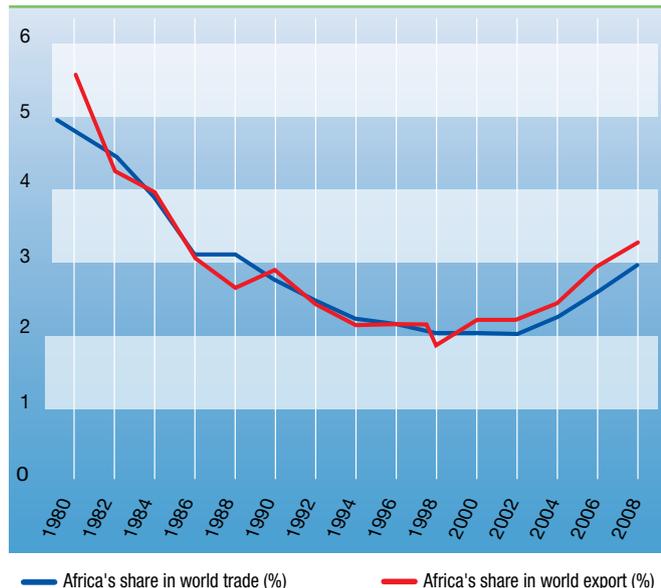
*Recovery in Africa's trade performance since 1990s. More to be done to improve supply-side constraints, reduce trade barriers, and deliver Doha commitments.*



of the late 1990s, though still only around half the peak of 1980. In value terms, total African merchandise trade broke the trillion dollar mark in 2008. Africa's share in services trade is lower, at about 2.5%, with a total value of US\$176 billion in 2007, mostly imports.

Against a backdrop of a steep fall in world trade in 2009, Africa's share remained stable at 3.1%. This, however, conceals sharp falls in volume and especially value. African merchandise export volumes fell by 2.4%, and import volumes by 7.9%, in 2009. The loss in value was sharper, at 30.9% for exports and 19.5% for imports. This in turn had a major effect on domestic revenue mobilisation in the oil exporters (see also Topic 14).

**Africa's share of world merchandise trade (%)**



Source: WTO Trade Statistics, 2010.

The pronounced pro-cyclical impact of the crisis on Africa's terms of trade is linked to poor export diversification in terms of both structure and destination. Eighty per cent of Africa's exports are oil, minerals and agricultural goods. Oil exporters saw their terms of trade decline sharply, while non-oil exporters have experienced a sharp improvement. The EU and the US continue to account for two-thirds of Africa's exports. However, trade with emerging economies has grown significantly recently, driven by increasing demand for commodities.

Intra-African merchandise trade remains low, representing on average only about 10% of total African exports. It is more than 20% in manufactured and agricultural products, pointing to complementarities within the region and opportunities for value-chain creation. Among regions, COMESA has experienced important intra-regional trade growth since forming its FTA. Total value in 2008 rose by almost 50% compared to 2007. But multiple factors, including weak infrastructure and onerous customs regulations and procedures, as well as weak financial and capital markets, continue to hold back regional trade.

## What are the future priority actions?

### Africa

- Continue to improve competitiveness by tackling supply-side constraints and improving infrastructure and productive capacities (see also Topic 3);
- Continue to remove constraints to trade, including through the reduction of trade barriers and further trade facilitation measures;
- Accelerate regional economic integration, including greater coherence between the different FTAs and customs unions.

### Development partners

- Continue to keep markets open, taking action as necessary to dismantle restrictive measures;
- Agree urgently, with other parties, on a way to bring the Doha Round to a balanced and ambitious conclusion as soon as possible;
- Continue to meet Aid for Trade commitments with increasing focus on regional projects.

## Topic 2

## AGRICULTURE &amp; FOOD SECURITY

## Key commitments

**Africa:** African governments have made a series of both quantitative and qualitative commitments for agricultural development. They have committed to raise the share of their national budget allocated to agriculture to 10%, and through the Comprehensive African Agricultural Development Programme (CAADP) Framework have called for annual agricultural growth rates of 6%. They have committed to increase agricultural trade within Africa, and to work at regional and continental levels, including harmonising fertiliser policies and reducing costs of procurement. In 2009, the African Union (AU) acknowledged the AU-NEPAD's CAADP as the overarching framework for agricultural development and investment, and the current AU presidency has made food security and agriculture the first priority of its mandate.

**Development partners:** Development partners have recently sought to prioritise sustainable agriculture and food security through a series of commitments to both increase volumes and improve the quality of agricultural assistance. Under the 2009 L'Aquila Food Security Initiative (AFSI), they committed to mobilise US\$20 billion over three years for agricultural development. They also committed to developing a co-ordinated, comprehensive approach, emphasising the role of smallholders and women. The global community similarly committed to increase aid substantially at the 2009 World Summit on Food Security, and to undertake all necessary action to cut food insecurity. Leaders at the 2009 G20 Pittsburgh Summit called on the World Bank to establish an agricultural multi-donor trust fund, and pledged to seek an ambitious conclusion to the Doha Round in 2010, with a particular reference to agriculture. Increased agricultural productivity and food security are recognised as key actions for tackling climate change (see also Topics 6 and 18).

## What has been done to deliver on these commitments?

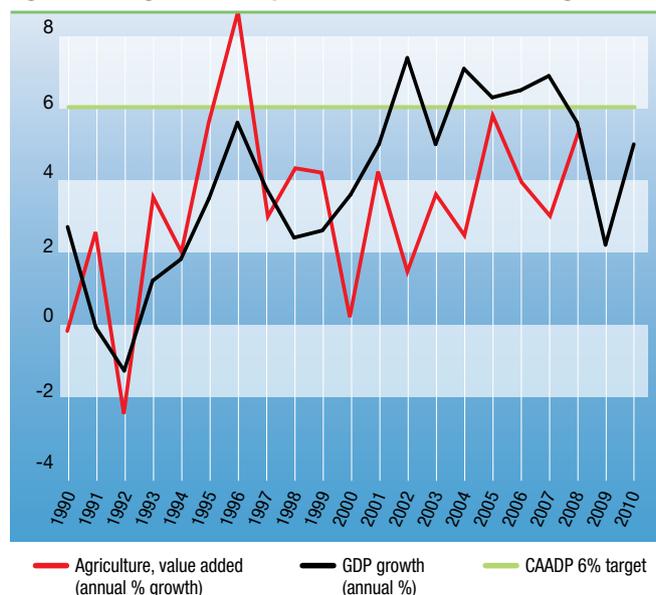
**Africa:** In the last report, 2005 data indicated 6 of 24 countries sampled were meeting the Maputo 10% target. Recent data from 45 countries

show 10 meeting their commitments in 2008. In aggregate, however, agricultural spending in Africa has made little progress, ranging from 4 to 6% of domestic public expenditure between 1980 and 2008.

Regional policies to foster agricultural growth, trade and food security have been established, linked to the CAADP framework. A further 12 countries and one region, ECOWAS, have signed CAADP Compacts in 2009. Investment frameworks are now being developed, with two at regional and one at country level.

ECOWAS and COMESA have moved further in harmonising fertiliser regulatory frameworks and trade policy. The African Fertiliser Development Financing Mechanism has mobilised over US\$30 million, and na-

## Agricultural growth compared to overall economic growth



Sources: ReSAKSS based on UN National Statistics Division, 2009; WDI, 2009; IMF, Regional Economic Outlooks (April–May 2010). Figures are for sub-Saharan Africa.

*Agricultural growth improving, but below 6% target and economic growth. Food insecurity increasing. More effort needed on investment, policy reform and trade.*



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tional financing facilities for farmers, importers and distributors of fertilisers are being established. No import duties or border taxes are imposed on fertilisers in the EAC region, but little progress in harmonising and eliminating fertiliser taxes across Africa has been made.

**Development partners:** Agricultural assistance (excluding forestry and fisheries) to Africa increased to US\$2.7 billion in 2008 (up 48% in real terms since 2000), and has consistently increased since 2005. However, as a proportion of total assistance, aid to agriculture remains lower than that in 2000. Increases in funding for agriculture have recently been announced by several multilateral donors, including the African Development Bank (US\$4.8 billion over 2008–2010), World Bank (US\$1.2 billion per annum) and IFAD (US\$1.2 billion in total, a 63% increase in its replenishment over 2010–2012, with more than 40% allocated to Africa).

Pledges for the AFSI stood at over US\$22 billion by mid-2010, of which US\$6 billion is additional. Disbursements data of AFSI funds are not yet available, and little on how partners are delivering qualitative commitments was reported in the 2010 Muskoka Accountability Report. The Global Agriculture and Food Security Program was launched in 2010, and has mobilised US\$880 million in commitments.

On trade, the Doha Round has stalled, with no progress made at the multilateral level in reducing import barriers or domestic or export subsidies (see also Topic 1).

## What results have been achieved?

**Growth:** Ten countries have achieved agricultural growth rates of 6% or more. However, on average, the sector grew at only 3.2% over the last 10 years in sub-Saharan Africa (rising more rapidly in 2007–2008), thus reducing the share of the sector in the overall economy.

**Productivity and diversification:** With increased private sector participation, several countries have continued to diversify into high added-value products for export. Africa's share of the global agricultural export market, however, remains only 2%. Smallholder productivity has stagnated and access to technology is limited: African yields per hectare for food crops were just under 2kg/ha in 2006–2008 against over 5kg/ha in

high-income countries. Fertiliser consumption in most African countries remains well below the Abuja target of 50 kg/ha. Less than 10% of arable land is irrigated, and in the last 40 years only an additional 4 million hectares have been brought under irrigation (see also Topic 3).

**Food security:** Most African countries remain off-track towards achieving MDG 1 by 2015, and only nine are on track to meet the indicator on the prevalence of underweight children. Thirty-two per cent of the population are undernourished. Twenty-one of the 36 countries currently facing a food security crisis are African, and more than 300 million Africans faced chronic hunger in 2009 – a rise from 236 million in 2007. Climate change and food price volatility pose major new threats to food security.

**Trade:** Since 2001, the volume of African agricultural exports has increased by 13% and their value has increased by 74%; most trade is in bulk agricultural commodities. But Africa's share of the global agricultural export market remains low, at 2%, and is concentrated in a small number of countries (see also Topic 1).

## What are the future priority actions?

### Africa

- Increase public investment, particularly in irrigation and rural infrastructure, to achieve the Maputo commitment, and mobilise private sector resources and South-South co-operation;
- Continue policy reform, particularly including efforts to encourage private sector engagement;
- Accelerate efforts to improve food security, including through stronger regional co-ordination and increased investment in science and technology;
- Consider the full impact of climate change in further development of regional and national agricultural strategies and investment plans.

### Development partners

- Deliver the AFSI commitments on agricultural assistance and its effectiveness, and make specific, new commitments, backed by detailed plans, to deliver sustained assistance beyond 2012;
- Intensify efforts to reduce agriculture subsidies, increase Africa's access to markets and complete the Doha Round (see also Topic 1).

Topic **3****INFRASTRUCTURE****Key commitments**

**Africa:** African governments have increasingly emphasised the importance of infrastructure both for economic growth and for social objectives. They have made broadly similar commitments spanning four main subsectors – energy, transport, water and ICT – to strengthen national planning frameworks, reform the regulatory environment, mobilise increased domestic public resources and develop regional and continental programmes. They have also adopted targets, including: (a) seeing that 35% of the population have access to electricity by 2020; (b) halving the proportion of people living beyond 2 km from an all-season road by 2015; and (c) reducing the proportion of people without access to safe water and sanitation by 75% by 2015.

**Development partners:** Development partners have undertaken to increase financial support for infrastructure, and to help mobilise increased private sector participation in the sector. They have, in addition, made specific commitments to promote clean energy and energy efficiency and to the development of water and sanitation infrastructure, including increasing access for rural populations.

**What has been done to deliver on these commitments?****Africa**

**National planning:** With few exceptions, African governments have not developed planning frameworks or long-term strategies. This picture is broadly repeated across the four sub-sectors, though it is significantly better in road transport and in ICT;

**Regulatory reform:** Regulatory agencies have been established in most sectors but capacity remains weak. The greatest progress has been in telecommunications, whilst transport lags further behind;

**Private sector:** Participation varies enormously across the subsectors: it is highest in mobile telephony, followed by transport, where road maintenance has been contracted out in half of sub-Saharan Africa, and through concessions in container terminals and railroads. In the

energy sector, state-owned utilities are still prevalent across Africa. In water, private firms have been involved in management or lease contracts but a large number have been problematic, with 40% of the contracts cancelled before completion;

**Regional initiatives:** African governments have launched several cross-border initiatives, including, notably, the management of transport and transit corridors; the establishment of power pools to facilitate sharing arrangements in all sub-regions of Africa, the development of broadband connectivity programmes such as the submarine fiber-optic cable linking East-African countries (EASSy), ECOWAS's Community Wide Area Network (ECOWAN) and the East and Southern Africa's Regional Communications Infrastructure Programme (RCIP);

**Expenditure:** African governments account for two-thirds of total spending on infrastructure, which is estimated at US\$45 billion a year in sub-Saharan Africa, most of which is for maintenance.

**Development partners:** Development partners have significantly increased support for infrastructure, including through the Infrastructure Consortium for Africa (ICA) established in 2005. Total funding commitments from all sources rose in 2009 to US\$39.3 billion following a slight decline in 2008. Within this overall envelope, private sector commitments fell by over 30% compared to 2007, but support by ICA bilateral and multilateral members more than offset this decline. Also, the share of concessional funding by ICA members declined sharply, from 73% in 2006 to 51% in 2009.

Non-traditional investors and donors, most notably Arab Funds, China and India, have become important contributors, although their commitments appear to have stagnated recently.

On sectoral allocations, funding commitments for energy and transport increased sharply over the past two years; together, these two subsectors account for three-quarters of total funding commitments in 2009. Commitments for water decreased. Furthermore, according to the G8 Accountability Report, only 42% of development commitments in sanitation and water over the past three years reached the least developed countries. Funding commitments for regional projects almost doubled in 2009, to reach US\$3.9 billion.

Despite increased investment, progress has been slow (except ICT), and weakness of infrastructure remains a major constraint on growth and on achieving the MDGs.



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## What results have been achieved?

Despite the increase in investment, progress has been slow (with the exception of ICT), and weakness of infrastructure remains a major constraint on growth and on achieving the MDGs:

**Energy:** In North Africa there is almost universal access to electricity; in sub-Saharan Africa, however, only 29% of the population had access (57% urban and 12% rural) in 2009. Here, access is increasing by about 1% of the population a year and is far below the figure of 50% in South Asia with similar levels of per capita income. High population growth has meant that per capita energy consumption has actually fallen. Moreover, the small-scale nature of most national power systems and the widespread reliance on expensive oil-based generation makes the average cost of generating power in Africa exceptionally high (3.5 times that in South Asia). Thirty countries in sub-Saharan Africa have experienced energy crises in recent years.

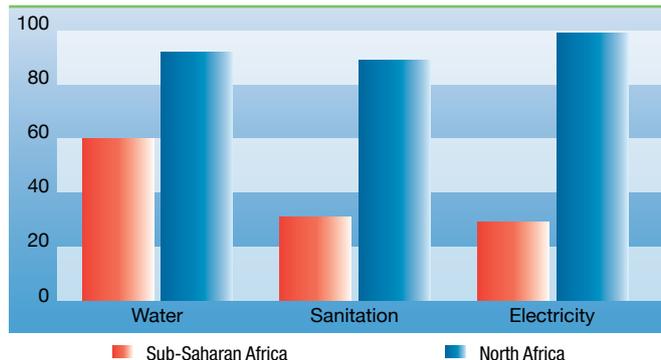
**Transport:** Only one-third of Africans living in rural areas are within 2 km of an all-season road, leaving rural areas isolated from urban markets, schools and clinics. The limited data available suggests that a

number of countries have improved road access over time, but reforms to the road network have had a very minor impact on road access in rural areas. Poor access and high profit margins for trucking companies have led to high transport tariffs, a major impediment to regional trade.

**Water and sanitation:** Sixty per cent of the population of sub-Saharan Africa had access to improved water in 2008, compared to 55% in 2000, an increase of less than 1% a year. For sanitation, progress has been even slower, with only 31% of the population in sub-Saharan Africa having access to improved sanitation facilities in 2008, compared to 29% in 2000 (see also Topic 8). Rural coverage remains significantly lower. Seven per cent of sub-Saharan Africa's hydropower potential has been tapped and only about 3.5% of cultivated land is equipped for irrigation – 7 million hectares out of a cultivated area of 197 million hectares. Two-thirds of irrigated areas are concentrated in just three countries. Over the last 40 years only 4 million hectares of new irrigation has been developed (see also Topic 2).

**ICT:** In contrast, mobile telephony has been a success story, with mobile subscribers growing from 16 million in 2000 to 370 million in 2009.

Access to water, sanitation and electricity (% of population)



Sources: WHO/UNICEF, Progress on Drinking Water and Sanitation, 2010 Update; World Energy Outlook, 2009, IEA.

## What are the future priority actions?

### Africa

- Strengthen planning frameworks to improve access and better reflect the role of infrastructure for economic growth and poverty reduction;
- Continue regulatory reform to improve the efficiency of existing infrastructure, to reduce costs and to encourage greater private sector participation;
- Accelerate the development of cross-border initiatives, and in particular, enhance the roles and capacity of the RECs and other regional technical bodies responsible for the development of regional projects.

### Development partners

- Maintain increased financial support, including through the ICA;
- Support African efforts to ensure more equitable provision of basic services to rural areas;
- Increase technical and financial capacity of the RECs and other regional technical bodies.

## Topic 4

## THE PRIVATE SECTOR

## Key commitments

**Africa:** African governments have made a series of policy declarations and statements to improve the environment for business, although few specific targets have been set. Private sector growth has been identified as a priority as early as 2001 through the NEPAD founding statement. Its Declaration of the same year encouraged private financial flows and new partnerships between governments, the private sector and civil society, and approved eight codes and standards for achieving good economic and corporate governance. Successive commitments have sought to create suitable conditions to develop the private sector further, to strengthen the legal and institutional frameworks for the promotion of African industrial enterprises and the harmonisation of African business laws and to promote public-private partnerships (PPPs), notably in the areas of transport and energy infrastructure (see also Topic 3).

**Development partners:** Development partners have committed to support African efforts to remove the obstacles to investment and reduce the cost of doing business, such as through sound economic policies, efforts to improve security of goods and transactions, consolidated property rights, legal and judicial reforms and mitigating risks faced by investors. More recently, improved synergies between ODA and other sources of development finance have been called for, together with new private flows for public-private partnerships (PPPs).

## What has been done to deliver on these commitments?

**Africa:** Starting from a very low base, Africa has continued to improve its regulatory environment. Since the MRDE 2009, several countries, including those recovering from conflict, have introduced new, or have reformed existing, laws to improve the business environment. Sixty-seven regulatory reforms were registered in sub-Saharan Africa across 29 countries in 2009, building on the 58 registered reforms in 28 countries the previous year. Three African countries were amongst the World Bank's

Doing Business 10 top reformers in 2008–2009, and for the first time an African country topped the list.

As in previous years, reforms in 2009 focused on making it easier to start a business and improving trade across borders – constituting almost half of all reforms in sub-Saharan Africa. Improved IT has played a particularly important role in simplifying regulatory processes. Several countries made significant improvements in easing procedures to start a business, including the establishment of one-stop shops and service desks bringing together relevant ministries and agencies, and the streamlining of registration procedures. A number of countries have also implemented improved customs processes and border co-operation, together with one-stop shops for commercial trade documents, to expedite trade times and reduce costs.

A number of countries have continued to reform business, thereby addressing a significant barrier to trade and investment (see also Topic 1), with sub-Saharan Africa the second-most tax-reforming region globally. Several countries have also revised labour codes, making it easier to employ workers. Reforms in commercial laws and property rights vary considerably among countries, with institutional weaknesses more evident and acute in countries with Civil Code traditions. Sub-Saharan Africa still falls short in a number of regulatory reforms, such as dealing with licenses and protecting investors.

**Development partners:** Development assistance for business support services more than doubled in real terms over 2007–08 to reach US\$1.2 billion, almost half of all global assistance to this sector in 2008. AfDB's lending nearly doubled to US\$11 billion between mid-2008 and mid-2009, with funds largely directed to budgetary support, trade finance and infrastructure projects.

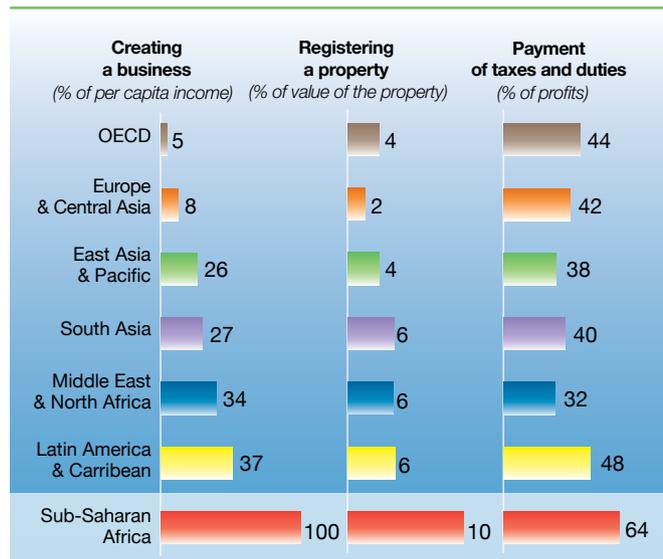
Partners have helped to improve the business environment, develop financial markets and promote investment through a series of initiatives, including the NEPAD/OECD Africa Investment Initiative, the Enhanced Private Sector Assistance for Africa, the Investment Climate Facility and the Partnership for Making Finance Work for Africa (see also Topics 11 and 15). The World Bank, UNECA and the Public-Private Infrastructure Advisory Fund have undertaken a number of PPP

Improvements in business environment, but more needs to be done to reduce costs of doing business, promote private sector engagement and improve access to finance.



© World Bank/Eric Miller

### Costs of doing business



Source: World Bank, Doing Business, 2010.

capacity-building initiatives, include training, advocacy and facilitating public-private dialogue.

### What results have been achieved?

Continued reforms, political and macroeconomic stability and encouraging growth have improved Africa's environment for business (see also Topics 10 and 11). Nonetheless, 2010 rankings for ease of doing business in Africa have shown little improvement, and some countries have slipped lower.

**Costs of doing business** are decreasing in Africa. Business start-up costs and times have fallen from 172% (% of income per capita) and 62 days in 2005/2006 to 100% and 46 days, respectively, in 2008/2009.

However, costs still remain, on average, the highest in the world.

**Availability of credit to the private sector** is improving through new licensed private credit bureaus, a wider range of assets used as collateral and a strengthened legal framework for secured transactions. Innovative financial initiatives have improved access to the 'un-banked' that include card-based, low-cost banking, mobile phone and postal banking and providing linkages with informal financial institutions. However, costs of credit remain high and access to credit is a primary inhibitor to doing business in Africa.

**Capital markets** have grown from 8 to 20 stock exchanges between 2002 and 2009, and market capitalisation of the 5 leading stock exchanges has tripled over the period.

In spite of improvements, the global downturn has hit Africa severely, especially where financial markets are more integrated into global markets. This has included a sharp decline in some stock exchanges, suspension of private sector projects and a limited ability to raise long-term financing through sovereign bond issues (see also Topic 15).

### What are the future priority actions?

#### Africa

- Accelerate improvements in access to finance, particularly for small-sized firms and informal businesses;
- Promote private sector participation in strategic sectors and public services, particularly through effective implementation of PPPs, to address constraints caused by poor and costly infrastructure, with particular attention to energy and transport (see also Topic 3);
- Deepen regulatory and institutional reforms to provide adequate infrastructure, reduce bureaucracy and address corruption.

#### Development partners

- Support efforts to improve access to finance;
- Direct increased investment in lower-level capacity building to tackle binding constraints to financial, human and technological development;
- Ensure greater predictability in the international response to priority crisis-led needs.

## Topic 5

## ENVIRONMENTAL SUSTAINABILITY

## Key commitments

**Africa:** In ratifying the Convention on Biological Diversity (CBD), the Convention to Combat Desertification (UNCCD) and the UN Framework Conference on Climate Change (UNFCCC), African governments have committed to integrating sustainable development objectives, such as promoting biodiversity and sustainable forest management and combating desertification in their national development strategies. The NEPAD Environment Action Plan, endorsed by the African Union, set out a comprehensive framework to Africa's common and shared sustainable development problems and concerns, while the Comprehensive Africa Agriculture Development Programme (CAADP) set an objective of achieving a culture of sustainable natural resource management by 2015 (see also Topic 2). Commitments to developing environmental protection and sustainable management strategies, as well as acceding to international environmental treaties, were reaffirmed under the African Charter on Democracy, Elections and Governance (see also Topic 10).

**Development partners:** Development partners have equally signed a series of international conventions, incorporating specific commitments relevant to African sustainable development. In addition to statements of support for Africa's investment in environmental sustainability, partners have made a series of specific commitments to promote sustainable forest management and to tackle illegal activities such as logging and illicit trade in wildlife.

## What has been done to deliver on these commitments?

**Africa:** A broad series of plans has been developed to promote sustainable development, some of which have reached implementation. Two-thirds of African countries are developing or implementing national *forest* programmes. Several countries have adopted new forest policies and laws, and some progress is being made to integrate forestry into poverty reduction strategies. At the regional level, partnerships and

programmes to promote sustainable forestry management have been established.

Over two-thirds of African countries have developed national *biodiversity* strategies and action plans. Twenty-five countries in West and Central Africa have adopted a code of conduct for responsible fisheries, and 10 African countries sharing the Western Indian Ocean have signed an agreement to protect their marine environment. Between 2000 and 2005, African countries designated over 3.5 million hectares of additional forest for biodiversity protection, raising total designated areas to over 70 million hectares.

Almost all African countries have developed National Action Programmes to combat *desertification* and implementation has commenced in some countries. Five Sub-regional Action Programmes and coordinating organisations have been finalised, while a Regional Action Programme (RAP) has also been developed with support from the African Development Bank. The Great Green Wall for the Sahara and the Sahel Initiative is a priority action of the African Union–European Union Partnership on Climate Change, aimed at catalysing sustainable development and poverty reduction in desert margins north and south of the Sahara.

While some initiatives have moved from planning to action, implementation is generally weak and effectiveness has been limited. Inadequate institutional capacity, poor data and weak priority setting are key constraints, often compounded by limited political voice and budgetary resources of Environment Ministries, where most initiatives are concentrated. Consequently, all but one African country fell in the bottom half of the 2010 Environmental Performance Index (EPI), which ranks 163 countries over 25 performance indicators that assess performance against established environmental policy goals.

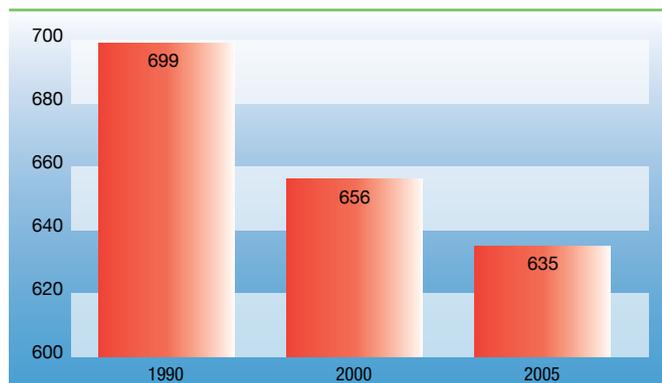
**Development partners:** The Global Environment Facility (GEF) has, since 1991, supported over 700 projects in all African countries, constituting 38% of all GEF-financed projects. The Terrafrica Initiative, launched in 2005 to fight desertification and land degradation has leveraged an additional US\$1 billion to scale up sustainable land and water management in 32 African countries. However, whilst development

Plans in place but implementation limited, resulting in continued deforestation and land degradation. Progress depends on tackling wider issues of poverty and climate change.



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**Forest area in Africa, 1990–2005 (millions Ha)**



Source: FAO, State of the World's Forests, 2009.

assistance to general environmental protection has increased, Africa has received, on average, only one-quarter of such assistance since 2005.

The UN-REDD (Reducing Emissions from Deforestation and Forest Degradation) Programme is helping to conserve forests in return for credit for avoided emissions of greenhouse gases (see also Topic 6). Similarly, the World Bank has established a financial mechanism, the Forest Carbon Partnership Facility, to channel financing for country-led forest sector reform by providing value to standing forests. It aims to build capacity for REDD in developing countries, and to pilot a programme of performance-based incentive payments in selected countries in order to set the stage for a future global REDD carbon market. The World Bank, AfDB and UN have also helped to establish systems and processes to monitor and govern forests and to sustainably manage bio-diversity and land.

## What results have been achieved?

Despite a comprehensive set of plans, the amount of land covered by forest in Africa continues to decline. Whilst holding only 16% of the

global forest area, between 2000 and 2005 Africa accounted for one-third of the area deforested – the second-highest rate of deforestation after Latin America. High poverty rates, heavy dependence on natural resources for subsistence, high reliance on traditional biomass products for energy and unsustainable agricultural practices present significant challenges in combating deforestation.

*Bio-diversity* information is patchy. Degradation and loss are expected to become more severe under the pressure from land use change as forests are converted to croplands and pastures and marine systems are overexploited. Moreover, the lack of recognition of indigenous property rights poses serious challenges to biodiversity conservation. But in comparison with most other parts of the world, Africa's biodiversity remains relatively healthy.

Two-thirds of Africa is classified as *deserts* or dry lands, concentrated in the Sahelian region, the Horn of Africa and the Kalahari Desert in Southern Africa. Degraded land affects almost two-thirds of the entire African population.

Climate change is set to have significant impacts on Africa. Desertification and land degradation, which affect most African countries, are expected to worsen, as are the quality and productivity of natural resources and ecosystems (see also Topic 6), combining to reduce bio-diversity.

## What are the future priority actions?

### Africa

- Effectively integrate environmental policies and programmes into national development plans, including poverty reduction strategies;
- Accelerate the move from planning to effective implementation.

### Development partners

- Accelerate the integration of environmental concerns into development assistance policies and programmes, and strengthen the priority given to environmental sustainability in Africa;
- Fully implement commitments made under international conventions and treaties.

## Topic 6

## CLIMATE CHANGE

(This section should be read together with the separate Topic 18 - Climate Financing)

## Key commitments

**Africa:** To address the threat to development and growth posed by climate change, Africa's political leaders have taken several decisions and resolutions through the African Union (AU), and relevant ministerial bodies such as the African Ministerial Conference on the Environment (AMCEN). The AU has urged African states and Regional Economic Communities (RECs) to integrate climate change adaptation into strategies and programmes at national and regional levels.

**Development partners:** Under the Kyoto Protocol negotiated in the context of the UN Framework Convention on Climate Change (UNFCCC), developed and transition economies committed to collectively reduce GHG emissions by 5.2% between 2008 and 2012, compared to 1990 levels. However, because some large emitters were not included, the Protocol implied action on only one-third of CO<sub>2</sub> emissions. At the 2009 Copenhagen Summit, a group of countries further agreed to establish commitments to reduce emissions by 2020, in line with a common goal of limiting global temperature rises to below 2 degrees Celsius. Development partners have also committed to support climate adaptation and mitigation in developing countries (see also Topic 18), to reduce emissions by assisting efforts towards sustainable forest management and to support the transfer of low-carbon technologies.

## What has been done to deliver on these commitments?

**Africa:** African governments have taken action both to address the impacts of climate change and to develop a common negotiating position on climate change. Under the UNFCCC process, most least-developed countries in Africa have developed National Adaptation Programs of Action (NAPAs), which focus on urgent and immediate adaptation needs.

At the regional level, the African Climate Policy Centre (ACPC) has been established to support the integration of climate change into planning and economic development. The Climate for Development in Africa (ClimDev-Africa) programme has also been established

to inform decision-making, awareness and advocacy. All five African sub-regions have elaborated plans as part of efforts to develop a Comprehensive Framework of African Climate Change Programmes to be implemented at regional, sub-regional, national and local levels.

To enhance Africa's role in climate negotiations, the AU established in 2009 the Conference of African Heads of State and Governments on Climate Change (CAHOSCC), to guide and lead Africa at international climate change negotiations.

**Development partners:** In aggregate, parties to the Kyoto Protocol reduced emissions by 15.2% between 1990 and 2008. Reductions by all industrialised countries are much lower, at 5.2%. Progress is mixed, with significant differences across countries. Cuts have been driven by significant reductions within transition economies, showing 31% fall over the period. By contrast, emissions from non-transition Annex I countries (industrialized countries that are signatories to the Kyoto Protocol) have risen in aggregate. However, this group is expected to be on track to meet its Kyoto commitments, assisted further by the use of flexible market-based mechanisms that allow industrialised countries to meet targets by benefiting from investments in emission reduction projects in developing and transition countries. As a group, EU member states are projected to meet or surpass their targets by 2012. By contrast, emissions targets for the post-2012 period have yet to be finalised, and progress has not been consistent with the overarching 2 degrees Celsius goal of average global warming by the end of the 21st century. Progress is even further off track from the 1.5 degrees Celsius goal supported by a large number of developing countries.

A number of bilateral and multilateral initiatives have sought to address the substantial emissions caused by deforestation. More recently, these have been complemented by REDD+, a new mechanism established to reduce emissions from deforestation and forest degradation and, in the process, enhance carbon stocks and sustainable forest management (see also Topic 5).

Parties to the UNFCCC have adopted a new Technology Mechanism to support technology development and transfer, including a

*Kyoto commitments to reduce emissions by 2012 on track. Post-2012 targets yet to be finalised. African efforts to mainstream climate adaptation underway but face significant challenges.*



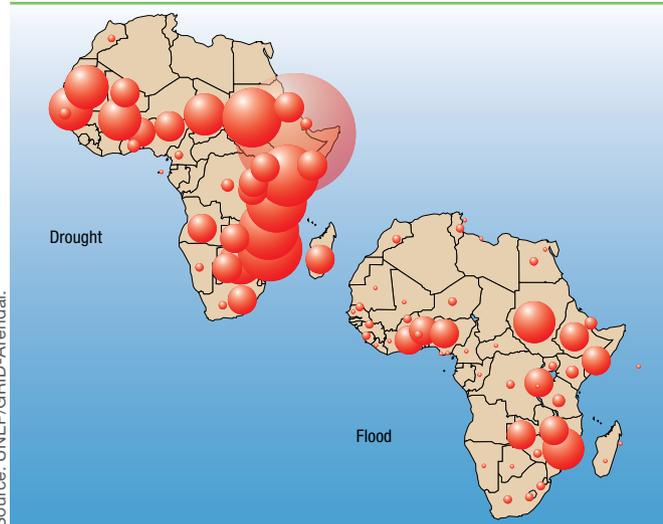
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proposed dedicated technology fund that responds to the needs of developing countries to guide overall technology development and transfer activities under the Convention.

## What results have been achieved?

It is too soon to assess the current impacts of climate change, but projections confirm that Africa will be disproportionately affected. Even if temperature rises remain within 2 degrees Celsius, Africa's potential loss in output over the long run could be as high as 4 to 5% of GDP, compared to global average GDP losses of 1% and even lower impacts in high-income countries. Up to a quarter of people in Africa are projected to be exposed to increased water stress, while cultivable land is projected to decline significantly. By 2050, sub-Saharan Africa and North Africa are projected to face an average 15% and 11% drop, respectively,

### People affected by drought and flood in Africa



Source: UNEP/GRID-Arendal.

in agricultural yields, with some countries seeing falls of up to 50%.

Mainstreaming climate adaptation efforts are underway but face significant challenges. Sixteen African countries, assisted by development partners, are building technical, analytical and institutional capacity to integrate climate change into development planning. Twenty-eight African countries have established and are strengthening national platforms to promote disaster risk reduction. However, limited experience and weak technical capacity remain a challenge, and many national strategies for poverty reduction and development continue to ignore climate change issues.

The REDD+ initiative to reduce emissions from deforestation is in early stages of implementation, and a small number of African countries are developing roadmaps to identify the required interventions for REDD+ project implementation. Deforestation, however, continues apace (see also Topic 5). Thirty African countries have prepared national Technology Needs Assessments (TNAs) to identify mitigation and adaptation technology priorities that take account of their development plans and strategies. Resources for implementation and weak in-country capacity, however, remain major constraints.

## What are the future priority actions?

### Africa

- Accelerate integration of climate change into national development programmes, building appropriate institutional frameworks at both national and sectoral levels;
- Build from national to regional co-ordination by strengthening regional networks of information and co-operation.

### Development partners

- Deliver on current Kyoto commitments for reducing emissions by 2012;
- Establish clear post-2012 emissions targets consistent with limiting temperature rises to 2 degrees Celsius, backed by plans detailing how cuts will be achieved;
- Make adjustments to development assistance policies to more effectively address Africa's own adaptation needs.

## Topic 7

## EDUCATION

## Key commitments

**Africa:** The African Union (AU) has acknowledged and reiterated the primary role of education in human development through a series of founding statements. African governments have signed up to the Education for All (EFA) programme of action and have committed to develop costed plans to achieve EFA, supported by the Fast Track Initiative (FTI). The Second Decade of Education for Africa (2006–2015) has built on gaps identified in the first education plan, moving beyond primary school enrolment to include commitments on: gender and culture; education management information systems; teacher development, education and training; tertiary education; technical and vocational education and training, and curriculum teaching and learning materials and quality management. This has been backed by implementation of a strong and effective monitoring mechanism and enhanced political support involving the Regional Economic Communities.

**Development partners:** Development partners have made a series of commitments to support global education frameworks and targets. They have committed to the MDG goals of universal primary education and of gender equality in education (see also Topic 9). They have committed to support the Education for All Framework for Action on the achievement of six education goals, with a particular focus on primary education. Recent G8 summits have reiterated commitments to the EFA, and members have pledged to meet resource shortfalls faced by the FTI, estimated at US\$1 billion, to provide co-ordinated financial and technical assistance to countries with national education plans. Two trust funds have been established for countries without the capacity to design and/or implement a national education plan: the Education Program Development Fund, to provide technical assistance to develop education strategies; and the Extended Catalytic Fund, to provide short-term funding for countries unable to attract sufficient donor funding. Development partners have also committed to create the International Task Force, “Teachers for EFA,” to counteract the limited supply of qualified teachers in low-income countries.

## What has been done to deliver on these commitments?

**Africa:** Domestic resources across the majority of sub-Saharan Africa have been scaled up, with government spending on education in 2008 reaching an average of 20.3%, compared with 17% in more than half the countries for which information was available in 2006. As a proportion of GDP, expenditures have also increased, from 3.7% to 5% over 2000–2007. Twenty-four African countries have had their national education plans endorsed by FTI as of June 2010, one more since the end of 2008. Seventeen countries have developed long-term costed plans, identifying available domestic resources and external funding needs.

**Development partners:** Although total development assistance to education rose significantly between 2000 and 2006, aid levels to basic education in Africa have dropped recently, falling from US\$1.6 billion to US\$1.3 billion between 2006 and 2007, and further to US\$ 973 million in 2008 (2008 prices). Falls in 2008 levels of assistance to sub-Saharan Africa equate to a 7% drop for each pupil when taking into account increased enrolment in primary schools. Current aid levels are incompatible with donors’ pledges that no government committed to achieving Education for All by 2015 would be allowed to fail for want of finance: UNESCO estimates an annual US\$6.8 billion external financing gap for achieving Universal Primary Education (UPE) in sub-Saharan Africa by 2015. The time lag between FTI pledges and release of funds is still a serious impediment to accelerating towards educational targets, and its governance remains driven by development partners. Assistance to secondary education has been consistently lower, ranging from 20% to 47% of basic education levels over the last five years and reaching US\$444 million in 2008.

## What results have been achieved?

Net primary education enrolment has risen in all African countries, in some cases significantly. In 2007/2008 it reached 76% in sub-Saharan Africa and 94% in North Africa, compared to 58% and 86%,

Good progress, particularly at primary level, through increased focus and allocation of resources. More needs to be done on quality and provision at post-primary levels.



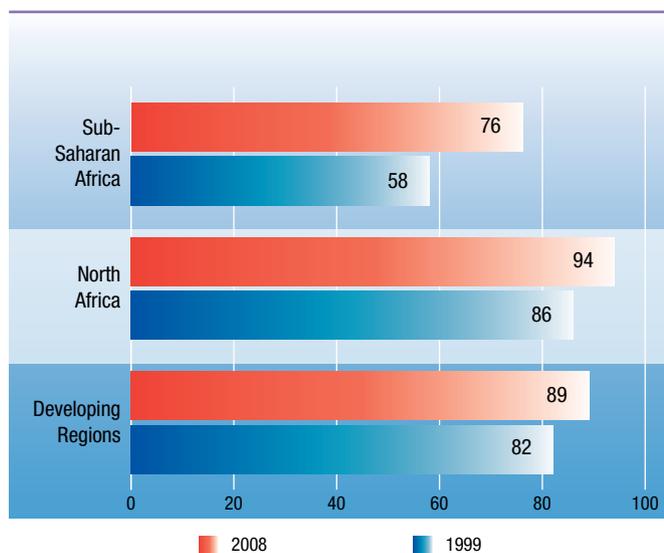
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respectively, in 1998/1999. The region as a whole is likely to attain its MDG target. Completion of primary school cycles shows improvement, if to a lesser degree: overall 2000–2008 primary completion rates increased from 52% to 64% and 81% to 96% in sub-Saharan Africa and North Africa, respectively. Sub-Saharan Africa has decreased its out-of-school population by about 13 million students since 1999. But progress is uneven, and Africa still accounts for almost half of the world's children out of school.

Gender parity in primary education is likely to be achieved by most countries, with past improvements sustained at the primary level (see also Topic 9). In sub-Saharan Africa, 91 girls, and in North Africa 94 girls were enrolled for every 100 boys in 2007/2008, slightly up from 2006/2007 figures of 89 and 94, respectively.

The picture at the secondary level is less promising, with only 34% of the age cohort in sub-Saharan Africa enrolled in 2007 (up from 24% in 1999). Gender parity at this level is also moving in the wrong direction, from 0.82 in 1999 to 0.79 in 2007 for sub-Saharan Africa. Adult illiteracy remains high, around 38%, of whom about 60% are women. Enrolment in tertiary education has increased slightly in sub-Saharan Africa, from 5% to 6% over 2006–2008, but it is still insufficient to meet demand, given the low baseline. Teacher numbers remain well below requirements, with a shortfall of around 1.2 million. In 2007 22 African countries had pupil-teacher ratios at primary level above the international norm of 1:40.

**Adjusted net enrolment ratio in primary education\* (%)**



\*Defined as the number of pupils of the theoretical school age for primary education enrolled in either primary or secondary school, expressed as a percentage of the total population in that age group. Source: United Nations, 2010, Millennium Development Goals Report.

## What are the future priority actions?

### Africa

- Maintain progress in primary education through increased targeting of marginalised children and financing to upgrade educational systems;
- Increase investment in post-primary education to expand the volume of institutions and quality of teaching to address labour market needs;
- Further promote gender parity at all levels of schooling.

### Development partners

- Accelerate progress in education assistance with an increased attention to African priorities, including recognition of the importance of post-primary and tertiary investment;
- Support African efforts to improve quality of education at all levels;
- Support comprehensive reform of the FTI to improve delivery, and restructure governance to incorporate developing countries and their interests.

Topic **8****HEALTH****Key commitments**

**Africa:** African governments have made a series of broad and specific commitments to scale up investments in health. AU members have committed to allocate at least 15% of their annual budgets to the sector. They have committed to a target of universal health care access, including sexual and reproductive health services, although timeframes have not been specified. They have set universal access to HIV/AIDS treatment as a top development priority. They have committed to accelerate interventions to combat HIV/AIDS, tuberculosis and malaria, including a target to halve the burden of malaria by 2010. Maternal and infant health was the central theme of the AU July 2010 summit, which called for increased resources to the area. Commitments to reduce maternal and child mortality, strengthen health systems and address the health needs of vulnerable groups have not been accompanied by specific targets.

**Development partners:** Development partners have, in turn, sought to support Africa's investment in health. G8 summits in particular have identified health as a priority in their African investments, pledging an additional US\$60 billion over 2006–2011 to counter infectious diseases and build health systems. Early commitments since 2005 emphasised HIV/AIDS and specific infectious diseases, particularly through the support of vertical health funds and innovative financing mechanisms (IFMs). More recent commitments have broadened, with increased emphasis on health systems, health worker training and neglected tropical diseases. They have also committed to the provision of drugs and treatment at affordable prices, and have most recently pledged US\$5 billion to address maternal mortality over 2010–2015.

**What has been done to deliver on these commitments?**

**Africa:** Progress towards meeting the 15% Abuja target has been limited. Six countries surpassed the target in 2006, just one more

than in 2005, while the number of countries allocating between 10 to 15% remained unchanged at 18. However, there have been increases in government spending on health: in 2007, average government health expenditure reached 9.6% of total government expenditure, compared to 8.7% in 2006, and per capita government spending rose from US\$27 to US\$34. Total per capita spending from all sources increased from US\$58 to US\$74 over the period, against a WHO estimate of US\$46 per person minimum necessary to provide basic lifesaving services. Seventy-four per cent of African countries have waived taxes on antimalarials to increase access to treatment, while 64% have removed taxes on insecticide-treated nets (ITNs). Half have waived taxes and tariffs on nets, materials and insecticide. Ten countries have adopted the Campaign on Accelerated Reduction of Maternal Mortality in Africa (CARMMA) to promote maternal and child health. All countries have developed national plans or strategies to promote comprehensive HIV treatment, care and support.

**Development partners:** DAC Official Development Assistance (ODA) commitments to health in Africa increased from US\$5.4 billion in 2005 to US\$9.4 billion in 2008. However, the bulk of funding and funding increases have been directed towards infectious diseases, including HIV/AIDS. By contrast, assistance for health systems has remained unchanged for the last decade and has fallen as a proportion of total health assistance. The Global Fund for AIDS, Tuberculosis and Malaria (GFATM) has been fully funded; innovative financing mechanisms, including the Advance Market Commitment pilot and the International Financing Facility for Immunisation (IFFIm) have been supported, as have a number of international initiatives in order to tackle diseases such as malaria and polio. In 2008, the International Health Partnership+ (IHP+) and the US President's Emergency Program for AIDS Relief (PEPFAR) committed to address the health workforce crisis by training and retaining a minimum of 140,000 new health care professionals and paraprofessionals; they are working with the Ministries of Health in four African countries to increase the number of health workers.

Government expenditures increased, but progress to MDGs limited. Development assistance has risen. More emphasis needed on health systems.



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## What results have been achieved?

HIV/AIDS infection rates have slowly declined, and the HIV prevalence rate has decreased from 5.8% in 2001 to 5.2% in 2008. Treatment coverage has improved: 44% of those who need it now have access to antiretroviral therapy, up from 33% in 2007. Yet Africa remains the region most heavily affected by HIV/AIDS. Tuberculosis prevalence declined slightly from 487 to 475 per 100,000 between 2006 and 2007.

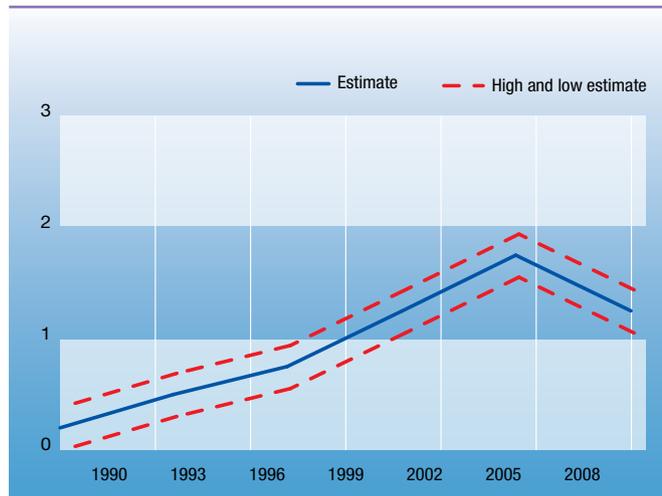
Use of ITNs in sub-Saharan Africa rose from 14.7 million in 2004 to 45.3 million in 2008. Household ownership exceeded 50% in 13 high-burden African countries and over 60% in seven countries. Nine countries (including four high burden) have seen malaria cases fall by more than 50% since 2000. While access to treatment re-

mains poor in most African countries, it increased significantly, from 1.2 million in 2004 to 62.6 million in 2008.

Immunisation of one year-olds against measles in sub-Saharan Africa increased from 64% in 2005 to 72% in 2006. Under-five mortality rates declined from 184 to 144 per 1,000 live births in sub-Saharan Africa, and from 80 to 29 in North Africa, between 1990 and 2008. Maternal mortality declined from 250 to 160 per 100,000 live births between 1990 and 2005 in North Africa, but it remains unacceptably high in sub-Saharan Africa, where the rate is 900, barely down from 1990.

Availability of health personnel remains low. With 24% of the global burden of disease, sub-Saharan Africa has only 3% of the world's health workers, and projections identify an 800,000 shortfall of health workers across 31 sub-Saharan African countries by 2015. Overall, health systems remain weak, with poor data, monitoring and evaluation, exacerbated further by poor water and sanitation coverage and underdeveloped energy and road infrastructure (see also Topic 3).

Sub-Saharan Africa HIV/AIDS deaths, 1990–2000 (millions)



Source: UN AIDS/WHO Epidemic Update 2009.

## What are the future priority actions?

### Africa

- Increase overall health financing to meet its commitments;
- Strengthen health systems in conjunction with heightened attention to water and sanitation infrastructure;
- Build skilled workforce capacity through improved training, incentives and resources.

### Development partners

- Continue to develop and support innovative financing mechanisms;
- Maintain commitments on infectious diseases, and balance efforts with increased investment in health systems, including through budgetary support and local capacity;
- Support Africa's efforts to retain human resources through more responsible approaches to scarce skilled labour recruitment.

## Topic 9

# PROMOTING GENDER EQUALITY AND WOMEN'S EMPOWERMENT

## Key commitments

**Africa:** African leaders have affirmed a broad range of commitments to gender equality and women's rights and empowerment in both economic and political spheres, including key declarations, such as the Protocol to the African Charter on Human and Peoples' Rights on the Rights of Women in Africa (2003) and The Solemn Declaration on Gender Equality in Africa (2004). Through such declarations, African governments have committed to report annually on progress towards gender equality. A series of commitments emphasising gender concerns in social and economic spheres have also been made through AU sectoral declarations, including those concerning food security, education, health and migration (see also Topics 2, 7 and 8).

**Development partners:** Development partners have committed to the principles of gender equality through a series of international agreements, such as The Convention on the Elimination of All Forms of Discrimination against Women. MDG3 calls for gender equality and empowerment of women with a target of eliminating gender disparity in education (see also Topic 7). Key commitments on development assistance and aid effectiveness also refer to the objectives of gender equality. Development partners have also committed support through a series of sectoral initiatives, and recent commitments to assist developing countries manage the impact of the financial crisis have pledged to accelerate action on gender equality.

## What has been done to deliver on these commitments?

**Africa:** Ratification of the Protocol on the Rights of Women in Africa has stalled. Although it came into force in 2005 following ratification by 15 states, subsequent progress has been slow, with 26 countries still to ratify. At the continental level, the AU adopted its first Gender Policy in 2009 to accelerate gender mainstreaming and

realise gender equality. Several Regional Economic Communities (RECs) and over two-thirds of AU member states have gender policies and plans. However, the extent of their implementation varies, with progress hindered by institutional capacity and financial resources.

Laws have been enacted on gender-specific issues, such as tackling violence against women. Fourteen countries now have legislation in place, compared with only 5 countries in 2005.

**Development partners:** In 2008 bilateral development partners reported allocation of financial commitments of approximately US\$21.7 billion globally in support of work focused on gender equality, a significant increase from previous years. Of this, US\$12.5 billion (58%) was directed to Africa. Government and civil society, education, health and agriculture were the biggest recipients of these funds. A partnership of international institutions has developed tools and methodologies (such as the African Gender and Development Index and gender-aware modeling) to build the capacity of member states and RECs to mainstream and monitor gender equality in economic and social development policies. Multilateral development banks and IFIs have also made progress in strengthening their support, such as through the African Development Bank's (AfDB) Gender Plan of Action (GPOA) and the World Bank's Gender Action Plan (2007–2010).

## What results have been achieved?

While the 15 year review of the Beijing Platform for Action identifies strong political support, together with a number of countries that have deployed notable efforts to reduce gender inequality and empower women, overall results have been mixed. Since 2005, only limited improvements have been made in economic participation and political representation, whilst more significant improvements have been witnessed in social spheres:

**Education:** In over two-thirds of African countries, gender parity has been achieved, or is close to being achieved, at primary level;

Gender policies largely developed, but implementation mixed. Improvements in education. Limited progress in economic participation and political representation.



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the continent's gender parity index was 0.90 in 2007, compared to 0.85 in 1999. Figures drop off significantly, however, at secondary and tertiary levels, where no country has yet reached gender parity (see also Topic 7);

**Health:** Maternal mortality remains higher in sub-Saharan Africa than in any other region. Although progress is recorded in some countries, increases or fluctuating levels are seen in others, such that the overall figure remains at over 900 per 100,000 live births, virtually unchanged since 1990. For HIV/AIDS, women continue to have higher infection rates than men in most African countries and account for 60% of new infections. The proportion of women living with the virus in these countries is, therefore, growing (see also Topic 8);

**Economic participation:** Twenty-one countries report having laws that guarantee equal access to employment opportunities. Over the last five years, most countries are reporting greater female participation in the economy (resulting from a mix of greater capacity building and support for business start-up). However, this is often in small-scale

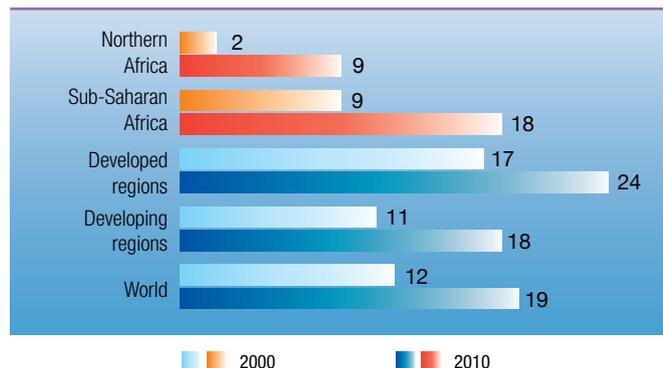
ventures assisted by microfinance that are not easily capable of expansion and have limited transformative power. In most countries women remain poorly represented in economic policy and decision-making;

**Political representation:** The first female president in Africa was elected in 2006, and in other countries women have stood for the highest office or have held the position pending elections. Although numbers are few, they provide a useful role model. In 2008, 18 countries had 20% or more of ministerial positions held by women. Representation in parliaments increased in most countries between 2004 and 2008: in one country, the figure is over 50%. Increased representation at local levels is reported in a number of countries;

**Data:** Gender disaggregated data remains weak, which means that monitoring policies and their effect on women is often imprecise.

There is a danger that progress that has been made will be undermined by the economic downturn. The impact of the crisis is likely to affect women disproportionately, as the employment opportunities available to them are constrained, and they are likely to have to manage on a smaller household income. This could also lead to adverse consequences for girls, who may, for example, be kept from school in order to work.

Proportions of seats held by women in single or lower houses of national parliaments, 2000 and 2010 (%)



Source: United Nations, 2010, Millennium Development Goals Report.

## What are the future priority actions?

### Africa

- Move quickly beyond policies and plans to implementation and enforcement;
- Back plans with appropriate financial support, including for long-term training, to enable women to participate more fully in economic activity;
- Develop gender budgeting, supported by disaggregated data, to ensure men and women benefit equally from public resources.

### Development partners

- Ensure adequate finances are directed to support African partners translating gender equality commitments into concrete policies, actions and programmes.

## Topic 10

## POLITICAL GOVERNANCE

## Key commitments

**Africa:** African governments have underscored good political governance as an essential prerequisite to development and poverty reduction. They have committed to electoral reform and to take collective action through continental and regional institutions to improve democratic processes and human rights. In particular, the African Union (AU) has adopted a zero-tolerance policy to unconstitutional changes of government. With the African Peer Review Mechanism (APRM), African governments have established a continental apparatus to monitor and promote good governance. A series of charters and protocols have been adopted to improve political governance, including the African Charter on Democracy, Elections and Governance and the Declaration on Democracy, Political, Economic and Corporate Governance, as well as measures to protect and promote human rights.

**Development Partners:** Development partners have welcomed Africa's growing emphasis on political governance. They have committed to support the APRM and related processes, whilst recognising their own limited role in African governance. Under the United Nations, partners have become signatories to a series of international commitments on human, civil and political rights.

## What has been done to deliver on these commitments?

**Africa:** African countries have continued to strengthen their ability to act collectively and regionally, through development of Regional Economic Communities (RECs) and the AU. The AU has promoted adherence to constitutional processes and the rule of law by adoption of a strong zero-tolerance policy in relation to coups and unconstitutional transfers of power. Through this policy, African governments have taken swift action against a number of countries (e.g. Mauritania, Guinea and Madagascar). An Electoral Assistance Fund was established in January 2009 to mobilise resources to finance

activities of the AU Electoral Assistance Unit that will conduct election observation, monitoring and post-conflict activities. This unit will also support National Election Management Bodies through technical assistance for national electoral processes. The AU has continued to undertake election observation missions.

The peer review process under the APRM has accelerated. Since the 2009 MRDE, 3 new countries were reviewed and 5 ongoing processes were completed, bringing the total of completed reviews to 13. Another one is expected in 2010 and three countries are ready for a second cycle. The number of countries joining the APRM, however, has increased only marginally, from 29 to 30, since early 2009. By 2010, 36 countries had signed, though only 6 had yet ratified the African Charter on Democracy, Elections and Governance.

Progress has been made on a number of areas of human rights. The Panel of Experts for the African Charter on the Rights and Welfare of the Child (2003) is now in place and has started to issue reports.

**Development partners:** Development partners have supported initiatives to strengthen the rule of law and improve parliamentary oversight and civil society engagement. They have provided support for upstream stages of the APRM process through a UNDP Trust Fund, and have helped countries conduct self assessments or design national action plans. Financial assistance has been modest, but it is increasing. Development assistance supporting elections in Africa, for example, increased by almost 85% over 2007-2008, reaching US\$275 million, and has more than tripled since 2000. Development partners continue to support and participate in a number of related economic governance initiatives, such as the Extractive Industries Transparency Initiative (EITI) (see also Topic 11).

## What results have been achieved?

The succession of global crises has increased tensions and, in a few cases, has contributed to coups and unconstitutional transfers of power. Overall, however, progress in electoral and democratic processes has proved resilient. Positive trends have been broadly

Collective stance taken against unconstitutional changes in government. Democratic elections the norm, but quality varies. APRM recommendations need implementation.



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maintained since the 2009 MRDE, with increased popular participation, competitive elections and peaceful transfers of power in a growing number of countries. Elections have become the norm rather than the exception, reflected by their increased frequency: well over half of African countries will have held elections, either presidential or parliamentary, between early 2009 and the end of 2010. In a number of cases, elections have already brought unconstitutional governments to an end.

By contrast, the quality of elections remains uneven, with an increase in associated violence (see also Topic 12). However, more than 60% of electoral processes between 2005 and 2009 have been considered to be independent and credible. Press freedom has in-

creased in over 60% of African countries in the last five years, and civil society in many countries has become more assertive and able to hold government to account, as is demonstrated, for example, in its participation with government and business in the EITI, which includes 18 implementing countries in Africa (see also Topic 11). More than half of African countries saw improvements in political participation and human rights over 2006/2007 and 2007/2008, as measured by the Mo Ibrahim Index.

## What are the future priority actions?

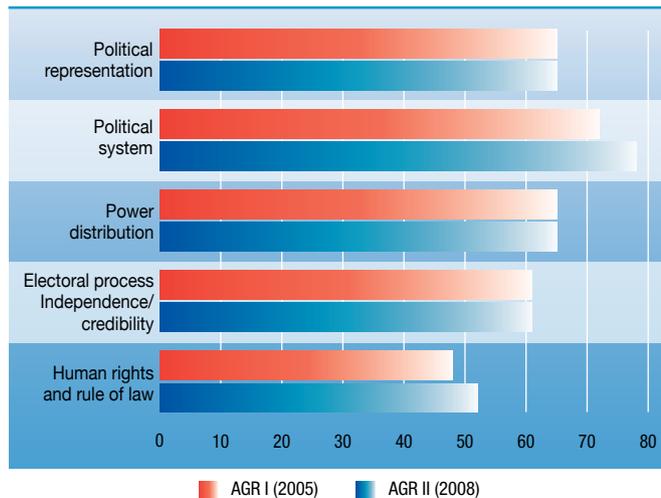
### Africa

- Maintain the AU's strong zero-tolerance policy for unconstitutional change of power and promotion of democratic processes and inclusive participation in governance;
- Continue to promote the development of the APRM with increasing participation;
- Support implementation of APRM recommendations through time-bound and costed national programmes of action.

### Development partners

- Continue to support the APRM, whilst respecting African ownership of this process;
- Reinforce local accountability by ensuring development assistance does not establish any competing mechanisms for accountability.

Political governance (Index Score)



For more details on the Index Score, see the UNECA Africa Governance Report 2009. Sources: UNECA Expert Panel Surveys, UNECA Africa Governance Report (AGR) 2005 and 2008.

Topic **11****ECONOMIC GOVERNANCE****Key commitments**

**African governments** have made a number of key commitments in relation to macroeconomic policy, public financial management, budgetary processes and tackling corruption – as well as to the regulatory environment for the private sector (see Topic 4) and domestic resource mobilisation (see Topic 14). The 2003 AU Convention on Preventing and Combating Corruption provides a comprehensive framework covering a range of criminal offences, including bribery and money laundering. Many African countries are parties to the Extractive Industries Transparency Initiative (EITI) which supports improved governance in participating resource-rich countries through the publication of payments and revenues. The African Peer Review Mechanism (see also Topic 10) provides a mechanism for reviewing progress in economic as well as political governance.

**Development partners** are parties both to the UN Convention against Corruption (UNCAC) and to the OECD Convention on Combating Bribery of Foreign Officials in International Business Transactions (Anti-Bribery Convention), which establishes legally binding standards to criminalise bribery of foreign public officials in international business transactions. Parties to the Anti-Bribery Convention also support the Joint African Development Bank/OECD Initiative to Support Business Integrity and Anti-Bribery Efforts in Africa. They have made related commitments to tackle money laundering and help identify and return stolen assets, as well as commitments on tax transparency and transfer pricing (see also Topics 14 and 15). Recent G20 summits have injected fresh political momentum into the fight against corruption, and the G20 has undertaken to consider further anti-corruption action at its November 2010 Summit in Korea. Finally, as parties to the 2005 Paris Declaration and the 2008 Accra Agenda for Action (see also Topic 16), development partners are committed to support improved public financial management and accountability.

**What has been done to deliver on these commitments?**

**African governments** have made important progress:

Significant macroeconomic reforms have been introduced, leading to

marked improvements in inflation, fiscal and current account balances and external reserves by 2008. Public financial management reforms have been introduced to improve expenditure planning and transparency and accountability. A study of 31 African countries found that: 28 were pursuing Medium Term Expenditure Frameworks; 25 were introducing programme, performance or activity-based budgeting; and all were adopting International Public Sector Accounting Standards or some other accounting framework.

The AU Convention on Preventing and Combating Corruption entered into force in 2006 and has been ratified by 31 countries. New initiatives have been taken at the continental level. Ten per cent of the AU budget for 2010 has been earmarked for anti-corruption activities and the creation of a new Anti-corruption Advisory Board to help countries develop anti-corruption legislation. There have also been some breakthroughs in anti-corruption investigations at the national level.

There has also been a high level of interest in the EITI. Eighteen of the 31 candidate countries are African. Of these, one has so far been designated as EITI compliant and a further 11 are aiming to become compliant in 2010 (see also Topic 10). Action has also been taken to improve the regulatory environment (see Topic 4) and the efficiency of tax systems (see Topic 14). **Development partners** have taken action in support of these efforts. In addition to action on tax havens (see Topic 14):

Thirty-eight countries are Parties to the OECD Anti-Bribery Convention. Together, these Parties account for roughly two-thirds of world exports and nearly 90% of global outward flows of foreign direct investment. In 2009, the 38 Parties stepped up their efforts to stop foreign bribery with the adoption of a new Recommendation for Further Combating Bribery of Foreign Public Officials in International Business Transactions (Anti-Bribery Recommendation). These measures include provisions for combating small facilitation payments, protecting whistleblowers and improving communication between public officials and law enforcement authorities.

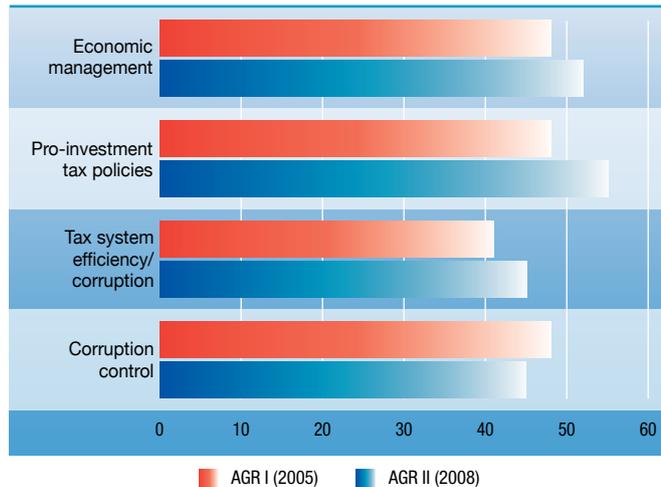
How well countries live up to their obligations under the Anti-Bribery Convention, the new Recommendation and related anti-bribery measures is evaluated by a peer-review monitoring system that evaluates the adequacy of a country's legislation to implement the Convention, and assesses the application and enforcement of the legislation. In terms of

Significant macro-economic reforms limited the impacts of crisis. National and continental initiatives to tackle corruption. More international co-operation now required.



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### Economic governance (Index Score)



Sources: UNECA Expert Panel Surveys, Africa Governance Report, 2005 and 2009.

enforcement, 148 individuals and 77 entities have been sanctioned under criminal proceedings in 13 countries since the Convention entered into force in 1999. Approximately 280 investigations are ongoing in 21 countries. Many of these actions involved the bribery of African public officials.

The Stolen Assets Recovery Initiative (StAR) has been launched by the UN and the World Bank Group to help developing countries recover stolen assets, including the proceeds of corruption. The OECD and the World Bank are currently monitoring the efforts of OECD countries in this area.

### What results have been achieved?

Due to progress in macroeconomic management, many African countries were able to pursue counter-cyclical expansionary fiscal and monetary policies in an effort to alleviate the impact of the financial crisis. Most major public spending programmes were continued, and key interest rates were reduced. According to preliminary budget outlooks, health and education spending increased in real terms in 20 of the 29 low-income countries

in the region in 2009. Public financial management has also improved, though significant challenges remains, including strengthening medium-term budgeting frameworks, managing aid flows, increasing transparency and strengthening budget execution and audit procedures.

It is difficult to put a figure on the sums involved in corruption, or to quantify results to date. But the potential benefits are huge. A study conducted by the AU has indicated that the costs of corruption accounted for 10% of Africa's resource-generated wealth. Corrupt money associated with bribes received by public officials is alone estimated at US\$20 to 40 billion a year for developing and transition countries. Measured through perceptions, progress continues to be slow: Transparency International's 2009 Corruption Perceptions Index indicates that corruption is perceived to be rampant in 35 countries assessed in Africa, up from 32 in 2008.

It is similarly difficult to quantify stolen assets held outside Africa, though every year an estimated US\$20 to 40 billion in stolen assets leave developing countries, much of which finds safe haven in international financial centres. Some African countries have recovered stolen assets but differences in legal jurisdictions mean that the processes involved are often complex and costly. In the past 15 years, only US\$5 billion has been returned to the countries of origin.

### What are the future priority actions?

#### Africa

- Continue with sound macroeconomic policies, together with efforts to improve domestic revenue mobilisation and transparency at all levels in public financial management (see Topic 14);
- Accelerate efforts to implement the AU Convention on Corruption and to introduce greater transparency in the extractive industries sector;
- Step up efforts to bring back stolen assets.

#### Development partners

- Step up efforts to tackle bribery and corruption through implementation of the UNCAC and adoption of OECD anti-bribery standards;
- Work for greater transparency in extractive industries through the EITI;
- Further strengthen international co-operation and monitoring on the recovery of stolen assets.

Topic **12****PEACE AND SECURITY****Key commitments**

**Africa:** African governments have intensified their security co-operation and, under the African Peace and Security Architecture (APSA), have institutionalised innovative conflict prevention, management and resolution mechanisms at continental and regional levels. In particular, they have established a Peace and Security Council (PSC), a 15,000-troop-strong African Standby Force, a Special Peace Fund, a Panel of the Wise and an Early Warning System. Recent commitments have sought to consolidate progress, strengthen institutional capacities, secure flexible but predictable funding and build relationships with the UN and other partners. African governments have adopted a number of common positions, including on the Illicit Proliferation, Circulation and Trafficking of Small Arms and Light Weapons (SALWs), the Prevention and Combating of Terrorism, the Prevention and Control of Organized Transnational Crime and the Protection of and Assistance to Internally Displaced People.

**Development partners:** Development partners have made commitments in three areas. They have pledged to support African efforts, including through commitments to train and equip peacekeeping forces, build institutional capacities and improve their funding and disbursement mechanisms. They have committed to support the global peace and security architecture through the UN system. Finally, they have pledged to address drivers of conflict and insecurity, including the trafficking of small arms and light weapons and the illicit trade in natural resources and narcotics.

**What has been done to deliver on these commitments?**

**Africa:** Significant progress has been made at both the continental and regional levels. On the continental level, the PSC is meeting regularly and has already intervened politically and/or militarily in 13 countries. Both the Panel of the Wise and the Special Peace Fund are operational. The AU has already conducted a number of peace operations, ranging from small-scale interventions such as the African Mission in

Support of Elections in the Comoros (AMISEC) to full-blown peace enforcement operations such as the ongoing African Mission in Somalia (AMISOM), and is currently conducting a hybrid mission with the UN in Darfur (UNAMID).

Serving as essential building blocks and implementation agencies of the APSA, Africa's Regional Economic Communities (RECs) have taken active steps to meet their commitments. The extent of progress, however, has varied considerably: whilst almost all regional components of the Early Warning System are already operational, only three of the five regional brigades of the African Standby Force are nearing operationalisation. Regional measures have also been taken to address the continuing proliferation of small arms, with protocols established in East and Southern Africa. The process to ratify the Kampala Convention has already started and now needs to be advanced as rapidly as possible.

Overall, the participation of African peacekeepers in UN, AU and regional missions in Africa has increased fourfold over the last decade, reaching more than 40,000 in 2010.

**Development partners:** Development partners have given strong support to the APSA through the provision of financial assistance, capacity building and national expertise, and have met commitments on providing training. However, funding has often been provided in an *ad hoc* and uncoordinated fashion. Further, legal constraints on what some of the funds can be used for have limited the development of regional and continental military capacities. A number of bilateral partners have provided support for AMISOM, including equipment, training and logistical assistance. Development partners are also providing the majority of funding for AU and RECs operations, and the UN Security Council has been exploring the modalities for funding AU peacekeeping operations in future.

Direct support for African initiatives has occurred within a broader framework of support and co-operation through the UN, with a global peacekeeping budget of US\$7.2 billion between July 2009 and June 2010, of which US\$5.7 billion was for seven operations in Africa.

The UN and the AU have strengthened co-operation and redefined

Stronger action from AU and RECs, with international support. Far fewer conflicts, but still major challenges. Continued efforts needed from Africa and partners.



© Francesca Pavarini

**African peacekeepers to AU, UN and Regional missions in Africa**



Source: Center on International Co-operation's Program on Peacekeeping and Security Sector Reform.

the scope and content of their collaborative partnership in conflict management.

Development partners also continue to support efforts to break the link between natural resources and conflict, including through active participation in the Kimberley Process Certification Scheme for rough diamonds. In 2009, the United Nations agreed upon a timetable to establish a 'strong and robust' Arms Trade Treaty (ATT) with the 'highest common standards' to control international transfers of conventional arms.

## What results have been achieved?

Armed conflict has decreased dramatically, by over a third since the early 1990s. Similarly, the number of conflict-related deaths, while ex-

remely difficult to gauge accurately, appears to have fallen significantly over the period. Stability has also been maintained, for the large part, throughout the food and financial crises. However, ongoing conflicts remain complex and difficult to address, and in early 2010, seven African countries were experiencing major armed conflicts within their territory. There has also been an increase in the number of smaller-scale conflicts, triggered in some cases by disputed election results. Consequently, more than 200 million Africans continue to live in conflict zones. Over 11 million are internally displaced, almost half the global total, although numbers have reached the lowest levels in a decade. The illicit spread of SALWs remains a concern, as does the spread of ungovernable areas and the rise of organised transnational crime. Climate change threatens to compound Africa's security challenge by increasing the likelihood of large-scale population movements and conflict over scarce natural resources.

## What are the future priority actions?

### Africa

- Continue to act at continental and regional levels through the APSA to prevent, manage and resolve conflict;
- Address the drivers of conflict through implementation of agreements on tackling conflict resources and the proliferation of small arms and light weapons;
- Address the consequences of conflict by strengthening efforts to manage those displaced by conflict, such as through ratification and implementation of the Kampala Convention and other common positions.

### Development partners

- Ensure more predictable, coordinated and flexible funding arrangements in support of peacekeeping and peacebuilding activities of the AU and the RECs and the effective implementation of APSA;
- Accelerate the development of a robust Arms Trade Treaty;
- Continue efforts to tackle the illicit trade in natural resources and narcotics.

Topic **13**

# GLOBAL GOVERNANCE AND INSTITUTIONS

## Key commitments

The issue of global governance has assumed greater prominence since the last report. Although commitments in this area are not specific to Africa, they are nonetheless highly relevant for the region. This section focuses in particular on commitments made at successive G20 Summits over 2009–2010.

G20 Leaders have committed themselves to strengthened international economic co-operation in response to the crisis and have agreed upon a Framework to promote strong, sustainable and balanced growth. They have designated the G20 as the main forum for their co-operation on economic issues and have agreed to taking wider development objectives into account. G20 Presidencies have consulted with low-income country representatives in preparation for the Summits and have invited non-G20 Leaders to attend. In Toronto, Leaders agreed that narrowing the development gap and reducing poverty in low-income countries are integral to the G20's objectives of achieving strong, sustainable and balanced economic growth, and ensuring a robust and resilient global economy.

They have made commitments to modernising global institutions to reflect changes in the global economy, and in particular to reforming the governance of the International Monetary Fund (IMF) and the multi-lateral development banks (MDBs), with the objectives of shifting voting power to under-represented countries, whilst also protecting the voting power of the poorest countries and introducing more transparent management processes. They have made specific commitments to a shift in quota shares of at least 5% to emerging economies and developing countries at the IMF, and a second round increase of at least 3% in the voting power of emerging economies and developing countries at the World Bank.

They have committed themselves to improving the responsiveness and adaptability of the international financial institutions (IFIs), and in particular to increasing the funds available to these institutions and regional development banks, and accelerating and expanding their lending to help mitigate the effects of the crisis on the poorest countries (see also Topic 16).

They have also taken measures against corruption, including calls for ratification and full implementation of the United Nations Convention against Corruption (UNCAC) (see Topic 11).

## What has been done to deliver on these commitments?

**International economic co-operation:** The crisis has led to significantly increased international economic co-ordination within the G20, with three Summits between April 2009 and June 2010, in addition to meetings of Finance and other Ministers. Summits have addressed a wide range of issues that impact Africa, including trade (Topic 1), anti-corruption (Topic 11) and tax (Topic 14). In line with the G20's recognition of the centrality of poverty reduction to the Group's objectives of sustainable and balanced economic growth, a high-level development working group has been established to help prepare discussion on development issues at future Summits. It has also been mandated to set up a development agenda and multi-year action plans to promote economic growth and resilience, to be adopted at the Seoul Summit;

**IFI governance:** A package of quota and voice reforms at the IMF was agreed in 2008, increasing quotas for 54 countries. It has been ratified by countries representing about 70% of total voting power. In order to enter into effect, this figure needs to reach 85%. The Fourteenth General Review of Quotas was brought forward by two years, to be completed by January 2011. G20 leaders called at the June 2010 Toronto Summit for this to be completed by the November 2010 Seoul Summit, in parallel with other reforms, including the overall increase in quotas and the size and composition of the Executive Board. At the World Bank, a second phase of reforms, adding 3.13% of voting power for developing and transition countries, was agreed at the 2010 spring meetings. When added to the 1.46% increase under the first-phase adjustment, the effect is an increase the voting power of developing and transition countries by 4.59% since 2008;

**IMF/MDB resources:** Concerted efforts have been made to increase IMF/MDB resources. G20 countries are contributing over US\$500 bil-

*Crisis has led to new role for G20 and change at global institutions. Must ensure Africa's enhanced participation in any new arrangements for global governance.*



Image courtesy of Presidencia de la Nación Argentina

lion to a renewed and expanded New Arrangements to Borrow (NAB), meeting their commitment to treble the resources available to the IMF. Resources from the agreed sale of IMF gold and funds from internal and other sources will more than double the Fund's medium-term concessional lending capacity. A new IDA crisis response window has been created. Discussions on the 16th replenishment of IDA have begun. The Governors of the African Development Bank (AfDB) have endorsed a trebling of its capital resources to nearly US\$100 billion.

#### G20 members

Argentina	France	Japan	Republic of Korea
Australia	Germany	Mexico	Turkey
Brazil	India	Russia	United Kingdom
Canada	Indonesia	Saudi Arabia	United States of America
China	Italy	South Africa	European Union

## What results have been achieved?

**International economic co-operation:** Strengthened international co-ordination has helped to create a foundation for economic recovery, to prevent backsliding into protectionism (see also Topic 1) and to generate new momentum on anti-corruption and tax havens (Topics 11 and 14). The international institutional architecture has been transformed, with the G20 now clearly established as the premier forum for international economic co-operation. Although not a member of the G20, the AU/NEPAD has participated in each of the Summits held over this period;

**IFI governance:** At the IMF, based on work done by Fund staff, Africa will see its quota share decline from 5.53% to 5.06%, equivalent to about SDR12 billion, once the package of reforms agreed in 2008 comes into effect. The reforms at the World Bank have increased the

overall voting share of developing and transition countries to 47.19%. Most of the increase has accrued to high-growth countries, with Africa's share falling (due to reduced shares of the larger African economies). A third chair to represent sub-Saharan Africa on the Executive Board has been agreed but is not yet operational;

**IMF/MDB lending (see also Topic 16):** There has been an acceleration in the transfer of resources from the IMF and MDBs to Africa, combined with the introduction of more flexible instruments. New commitments by the IMF to sub-Saharan Africa increased from US\$1.4 billion in fiscal year 2009 (ending April 2009) to US\$2.9 billion in fiscal year 2010. The IMF has also made Special Drawing Rights (SDR) allocations of US\$283 billion, based on relative quota shares, of which Africa received US\$17 billion (of which US\$12 billion was for sub-Saharan Africa). Lending from the World Bank Group to Africa was US\$8.25 billion in fiscal year 2009 (ending June 2009), including record lending to sub-Saharan Africa of US\$7.8 billion from IDA, an increase of 37%. Lending rose to US\$11.5 billion in fiscal year 2010, comprising: IDA US\$7.2 billion and International Bank for Reconstruction and Development (IBRD) US\$4.3 billion. IDA has frontloaded its commitments in 17 countries. The AfDB has also frontloaded commitments, increasing its lending from US\$4.88 billion in 2008 to US\$11.79 billion in 2009, and has also put new instruments in place.

## What are the future priority actions?

**International economic co-operation:** Development issues including Africa's priorities need to be addressed in future G20 Summits. Africa's enhanced participation in any new arrangements for global governance should be ensured;

**IFI governance:** IMF quota reform should be completed in 2010. Reform should transfer voting power to under-represented countries whilst also protecting the voting power of the poorest countries;

**IMF/World Bank/AfDB resources and lending:** There should be continued effort to strengthen the capacity of the IMF, the World Bank and the AfDB to help their members cope with the effects of the crisis, and future economic and financial volatility.

## Topic 14

## DOMESTIC PUBLIC RESOURCES FOR DEVELOPMENT

## Key commitments

**Africa:** Since the 2001 NEPAD Founding Statement, African governments have emphasised the primary significance of domestic savings and of strengthened public revenue collection for development finance, and have pledged on many occasions to raise additional domestic resources. Whilst commitments have not set quantified, time-bound targets, more specific commitments on sectoral expenditures have been made (see, for example, Topics 2 and 8). With the establishment of the African Tax Administration Forum (ATAF), increasing domestic revenue mobilisation is becoming an important tool for improving fiscal legitimacy.

**Development partners:** Supporting developing-country efforts to mobilise national savings was one of the major commitments of the Monterrey Consensus and the follow-up 2008 Conference in Doha. G8 countries have further committed to support initiatives to foster regional financial markets and domestic savings and financing systems. More recently, G20 countries have committed to take firmer action on non co-operative tax jurisdictions, and to ensure that developing countries benefit from efforts to improve tax transparency and the exchange of tax information.

## What has been done to deliver on these commitments?

**Africa:** Many African countries have gradually improved revenue mobilisation efficiency by broadening their tax bases. Africa scored the second-largest number of positive tax reforms in 2009, according to the International Finance Corporation, accounting for a fifth of the world's total. Thirty-four countries have adopted value-added taxes to reduce reliance on trade taxes. Fourteen countries have established autonomous revenue authorities. On-going efforts to build capacity through the new ATAF has created a platform to share experiences and to benchmark and track performance in national tax administrations. More than half of African countries are now members of the ATAF. Measures have also been taken to enhance transparency and

public sector management. Yet businesses in Africa still face the highest average tax burden in the world (see also Topics 4 and 11).

Challenges remain. Domestic revenue mobilisation has improved (see below) but is weak compared to other parts of the developing world, with one-quarter of countries still collecting less than 15% of GDP. Performance is varied, but improvements are achievable. Recent assessments of tax effort – how well a country is doing relative to what could be reasonably expected given its economic potential – show that half of African countries, including most resource-rich countries, can further revenue performance.

These low levels are attributed to a narrow tax base, large informal sectors and weaknesses in tax administration. Tax exemptions and incentives to attract foreign investments are also a concern. Further, where reforms have led to greater tax efficiency, they have also led to a less equitable system, with strong biases towards indirect taxes from both external trade and domestic sources. By contrast, direct taxation levied on the income of individuals and on corporate profits has experienced only a small increase as a share of GDP, mostly in upper- and middle-income countries.

The domestic savings rate increased from an average of 18.3% of GDP in the pre-Monterrey period to 25% in 2008. However, recent increases reflect the performance of resource-rich countries, whilst non resource-intensive countries have made minimal improvement in spite of important progress in public revenue mobilisation.

**Development partners:** Development partners have stepped up efforts on broader related issues of economic governance, including tax havens, transfer pricing issues and the taxation of minerals, oil and gas (see also Topics 11 and 15).

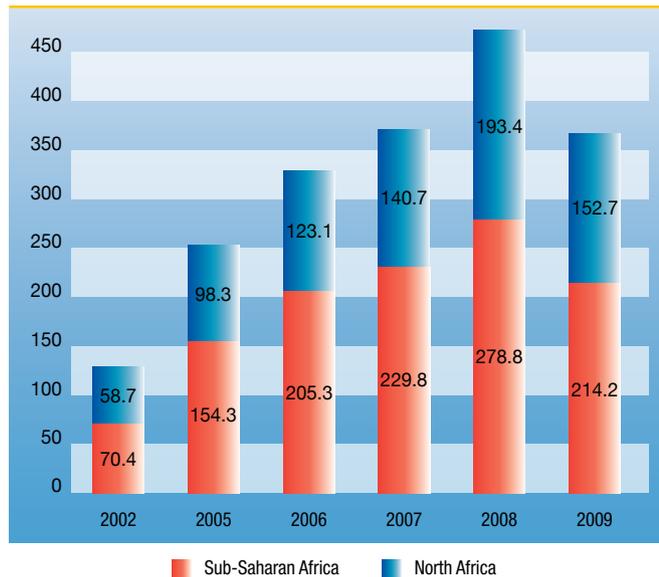
On non co-operative tax jurisdictions, since April 2009 over 300 tax information exchange agreements have been signed, and over 150 tax treaties have been negotiated or renegotiated to bring them up to the standard. Progress on how developing countries are benefiting from the more transparent environment is being monitored. One African country has already joined the Global Forum on Transparency and Exchange of Information for Tax Purposes and the ATAF has

Domestic revenue increased fourfold between 2002 and 2008 but fell sharply in 2009. Performance still varied. More international support needed on tax havens and illicit flows.



© African Tax Administration Forum launch  
Uganda, November 2009

Recent domestic public revenue mobilisation (US\$ billion, nominal)



Sources: IMF, Regional Economic Outlooks (April-May 2010); World Economic Outlook database (April 2010).

become an observer. Other developing countries are expected to join the Global Forum.

Practices that reduce domestic revenues, such as invoice falsifying, transfer mispricing and 'round-tripping' – sending money offshore and returning it as foreign investment to get preferential tax treatment – continue to pose challenges.

Despite the increased focus on the importance of tax issues, external support towards improving Africa's tax systems still accounts for only 1% to 2% of total development assistance.

## What results have been achieved?

After minimal improvement through the 1990s, total government revenues increased from 21% to over 27% between 2001 and 2008 for sub-Saharan Africa as a whole. Revenue/GDP ratios exceeded 40% for North Africa in 2008. Whilst the boom in oil and commodity exports has contributed to the strong revenue mobilisation performance of resource-intensive countries, so-called fragile countries also managed, as a group, to increase government revenue as a percentage of GDP. As a result, Africa tripled its revenue collection between 2002 and 2008 to reach over US\$470 billion, ten times the value of ODA.

The global economic crisis has, however, caused a sharp fall in public revenue in 2009, due to the impact of lower commodity prices (primarily hitting resource-intensive countries), compounded by lower growth. As a share of GDP, public revenue fell by 4.3% and 6% in sub-Saharan Africa and North Africa, respectively. In nominal terms, public revenue declined by over US\$100 billion, some 20% over the previous year, to US\$367 billion. The bulk of the decline occurred in oil exporters, where revenue fell by nearly 40%, from US\$273 billion to US\$167 billion, similar to levels in 2006 and 2007 before the oil price hike. Domestic revenue in non-oil producers was virtually unchanged at US\$200 billion, up around 25% from the level in 2006.

## What are the future priority actions?

### Africa

- Broaden the tax base, including cracking down on fraud and evasion and rationalising tax preferences, tax exemptions and tax incentives;
- Strengthen tax administration efforts, including revenue mobilisation from natural resources;
- Give higher priority to facilitating savings through the development of financial markets and microcredit institutions.

### Development partners

- Accelerate co-operation with Africa on wider issues of international economic governance, including tax havens, transfer pricing and greater transparency in key areas such as extractive industries and illicit capital flows (see also Topics 11 and 15).

Topic **15**

# FOREIGN DIRECT INVESTMENT AND OTHER PRIVATE FINANCIAL FLOWS

## Key commitments

**Africa:** In the 2001 NEPAD Founding Statement, African leaders committed to encourage and boost private capital flows as an essential component of a sustainable, long-term approach to addressing Africa's resource gap. They further agreed to promote the deepening of financial markets within countries and enhance cross-border financial market harmonisation and integration. They have also agreed to take measures to promote an improved business environment to encourage both domestic and external investment (see also Topic 4).

**Development partners:** In the 2002 Monterrey Consensus, development partners agreed to increase their support for private foreign investment in infrastructure development and other priority sectors in developing countries (see also Topic 3). The G8 have pledged to assist African governments to deepen and strengthen capital markets, to improve access to financial services in Africa and specifically in 2009, to implement measures to reduce the global average costs of transferring remittances from 10% to 5% in five years. The G20 have also pledged, in response to the crisis, to resist investment protectionism.

## What has been done to deliver on these commitments?

**Africa:** Many African countries have put in place policy incentives to attract Foreign Direct Investment (FDI), promote private sector investment and strengthen institutional capacity to manage regulatory changes. Beyond unilateral measures, 12 bilateral investment treaties (BITs) were signed by African countries in 2008, bringing the African total to 715.

At the regional level, COMESA, ECOWAS and SADC have undertaken regional investment programmes. Both the Southern African Customs Union (SACU) and the East African Community concluded external trade investment and development agreements. Several initiatives have been launched by governments and the private sector to help reduce transfer costs of remittances, by disseminating information on costs and promoting the use of postal services and mobile banking for fund transfers.

**Development partners:** Several donors have taken measures to strengthen financial markets in Africa and promote information sharing to reduce the cost of remittance transfers. A number of countries, international organisations and regional institutions have also launched initiatives to promote investment in Africa. The NEPAD-OECD Africa Investment Initiative, for example, has worked to build African capacity to strengthen the investment environment, employment generation and growth by providing a forum for policy makers, supporting country-led investment reviews and reforms and engaging the private sector (see also Topic 4). More information is being made available on the cost of remittance transfers.

## What results have been achieved?

Following six consecutive years of growth that brought net private capital flows to Africa to a record high of US\$60.3 billion in 2007, overall private capital inflows declined sharply to US\$36.6 billion in 2008 and continued to fall to US\$28.4 billion in 2009 – less than half its 2007 value. Overall, however, Africa has suffered much less than other regions, in part because of its weak integration in global financial markets. Within this broad trend, the picture has varied.

FDI flows, the largest component of private capital inflows, quadrupled between 2002 and 2008, rising to US\$48 billion in 2008. Preliminary information shows a decline to approximately US\$38 billion in 2009, falling over 15% in sub-Saharan Africa and an estimated 30% in North Africa. Africa's share of global FDI has remained practically unchanged at around 3%.

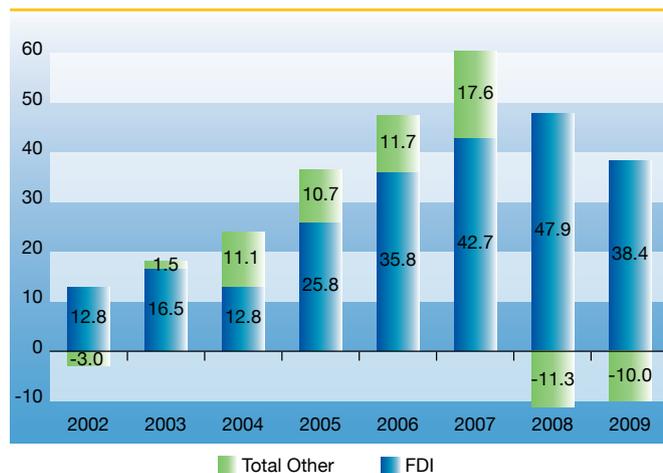
Extractive industries have continued to attract the bulk of FDI, and 10 of the largest recipient countries together account for 80% of total FDI inflows. However, FDI is now extending to new sectors, including banking and other financial services, agriculture and manufacturing. FDI is also now playing an important role in a broad range of countries, accounting for more than 20% of total investment in over 15 countries. Lastly, South-South FDI flows, including investments by emerging economies as well as intra-regional investment, are becoming more prominent.

Private flows increased sixfold between 2002 and 2007 but halved over 2008–2009. FDI remains largest component. Continued efforts needed to improve business environment.



© World Bank/Graeme Williams

Net private capital flows to Africa (US\$ billion, nominal)



Sources: World Bank, Global Development Finance (2010) and Global Economic Prospects (2010); IMF, Regional Economic Outlooks (April 2010).

Other net private capital flows suffered in 2008 and 2009. Portfolio equity – the second-largest component of private capital flows – contracted by US\$10 billion in 2008, almost half borne by South Africa. Growth, however, resumed in 2009. After notable success in attracting international bond flows, bond markets have been closed to Africa since late 2008, forcing several planned bond issues to be shelved in 2009. The increase in foreign bank lending to Africa in 2007 that followed reductions in loan exposure in 2005–2006 was short-lived, with sharp cuts in exposure, particularly to Nigeria.

In addition to net legal capital flows, Africa has experienced large illicit financial flows, estimated at US\$854 billion over the period 1970 to 2008. Trade misinvoicing is a major conduit, through overpricing of imports and underpricing of exports. Actual figures could be much

larger if one includes the proceeds of smuggling and other mispricings. According to the Washington-based Global Financial Integrity, illicit financial outflows have increased over time, averaging US\$50 billion in the past decade, and require efforts by both African governments and development partners (see also Topic 11).

Workers' remittances have become an important source of funding but were equally hit by the crisis. Between 2000 and 2008, recorded remittances to Africa as a whole rose threefold, to US\$34 billion. Remittances to sub-Saharan Africa quadrupled, to US\$20 billion. The increase was also significant, although less rapid, in North Africa, reaching US\$14 billion in 2008. Actual remittances to sub-Saharan Africa are estimated to be two or three times larger if transfers through unofficial channels are included. This is due in large part to high costs of transfers which average 10%, double the rate of other developing regions. Remittances to Africa fell in 2009 by an estimated 10% overall, to around US\$31 billion, with broadly similar proportional declines experienced by both sub-Saharan and North Africa. The cost of remittances has declined somewhat as more information has been made available, but it remains high for transfers to Africa compared to other developing regions.

## What are the future priority actions?

### Africa

- Continue efforts to improve the business environment in order to attract both domestic and foreign investment;
- Continue to foster regional integration, an important positive factor in attracting investment, as well as increased South-South co-operation;
- Create the conditions, including building human capital, to foster the diversification of FDI to higher value-added activities.

### Development partners

- Support Africa's effort to promote private capital flows and build an enabling domestic business environment;
- Promote risk alleviation instruments and techniques to facilitate private sector investments, particularly in infrastructure;
- Strengthen action to reduce the transaction costs of remittances.

## Topic 16

## DEVELOPMENT ASSISTANCE

## Key commitments

**Africa:** To improve aid effectiveness in the context of the 2005 Paris Declaration, African governments have committed to exercise effective leadership over their development policies and programmes, strengthen public financial management and be accountable for development results. These commitments were reaffirmed in the 2008 Accra Agenda for Action, which called for stronger involvement of parliamentarians, civil society organisations and citizens in shaping development policies.

**Development partners:** Development partners made a series of commitments in 2005 to increase development assistance. It was estimated that these would lead to an increase in ODA from US\$80 billion to US\$130 billion in 2004 prices by 2010, subsequently adjusted to US\$126 billion (2004 prices) or US\$147 billion (2009 prices) in light of lower GNI. It was assumed that Africa would receive half of the increase, therefore estimated at US\$25 billion in 2004 prices. In 2004 prices, half of the increase to the revised figure of US\$126 billion above would be US\$23 billion, taking ODA to Africa from US\$29.5 billion in 2004 (and 2004 prices) to US\$52.6 billion in 2010 (or about US\$61 billion in 2009 prices). Development partners have also, over this period, made a number of commitments to develop innovative financing mechanisms.

In 2009 the G20 made a series of financial commitments in response to the financial crisis (see also Topic 13). They committed to: (a) double IMF's concessional lending capacity for low-income countries (LICs); (b) support an increase in lending of at least US\$100 billion by multilateral development banks, including to LICs, over 2009–2011; (c) provide up to US\$50 billion of trade liquidity over three years for all developing countries; (d) explore the benefits of a new crisis support facility in IDA to protect LICs from future crises; (e) frontload IDA and AfDF resources.

Development partners also made commitments to improve aid effectiveness in 2005 and 2008, particularly regarding transparency, predictability, harmonisation and use of country systems.

## What has been done to deliver on these commitments?

**Africa:** Most African governments have strengthened the ownership and leadership of their development programmes. Twenty countries have completed substantially stronger and more operational second-generation PRSPs, and a few have completed fully-costed MDG needs assessments. Africa has also begun to take leadership of the public financial management process. Parliamentary oversight has become more effective in a number of countries.

**Development partners:** Total ODA increased to US\$120 billion in 2009 (2009 prices) and is estimated to rise slightly to US\$126 billion in 2010 (again in 2009 prices). This is around two-thirds of the increase to which donors committed in 2005. In practice, Africa received only around a third of this increase in 2009, or US\$13.5 billion, significantly below the 50% assumed in 2005 in the Gleneagles estimates.

In contrast, a swift response has ensured that financial commitments made in response to the financial crisis were met, with large transfers of resources from international financial institutions and the AfDB to Africa, including a special allocation of Special Drawing Rights (SDR), frontloaded and fast-tracked interventions, a dedicated crisis response window to provide additional funding to protect core spending in IDA-only countries and support for trade finance (see also Topic 13).

Several innovative financing mechanisms have also been launched, including Advanced Market Commitments (AMCs) to support the development of vaccines, the International Finance Facility for Immunisation (IFFIm), the Solidarity Air Ticket Levy and carbon market mechanisms.

Data to evaluate progress in aid effectiveness since Accra is limited. However, in response to evidence of only modest improvements, several country donors have prepared and strengthened action plans to meet effectiveness targets, including specific, time-bound goals. Eighteen development partners have signed up to the International Aid Transparency Initiative (IATI), established to increase access to development assistance information and make aid more effective. However, there are concerns that progress is not sufficiently aligned to developing-country priorities.

*The commitments made to double ODA by 2010 will not be met. Africa's share of total ODA should be increased to better reflect its projected share of world's poor by 2015.*

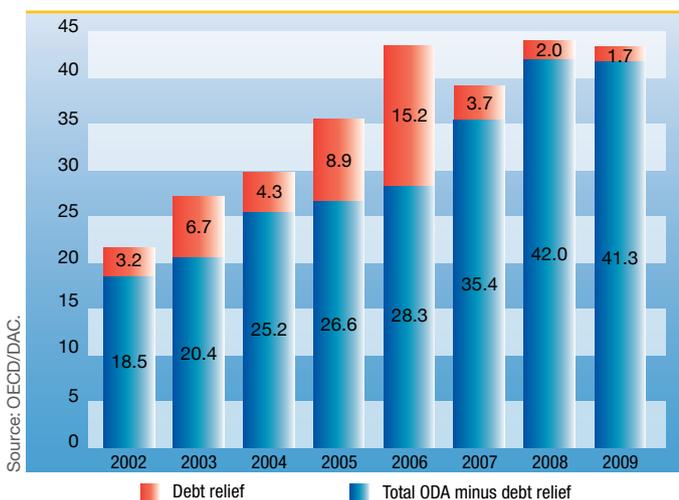


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## What results have been achieved?

ODA to Africa rose from US\$29.5 billion in 2004 to an estimated US\$43 billion in 2009 (equal to about US\$37 billion in 2004 prices). However, the combination of a lower increase in total ODA and a lower share of that increase for Africa means that this figure is still significantly below the target figure of around US\$61 billion (2009 prices) or US\$52.6 billion (2004 prices), implied by the 2005 commitments and taking into account lower GNI. Assuming a small further increase in 2010, Africa could end up receiving around half of the increase implied by the 2005 commitments. This means that total ODA will be around 75% of the level it would have reached if commitments had been fully delivered. Africa's share of global ODA has stayed between 30 to 35% since 2000 (excepting the temporary increases from exceptional debt relief). Had Africa received even half of the increase now estimated by 2010, its share of global ODA would, however, have risen to 40%, in line with its projected share of the world's poor in 2015.

**Official Development Assistance to Africa (US\$ billion, nominal)**



New commitments by the IMF to sub-Saharan Africa reached US\$2.9 billion, almost tripling the US\$1.1 billion in 2008. Through a special allocation of Special Drawing Rights (SDR), Africa received additional financial support worth some US\$17 billion, of which US\$12 billion was for sub-Saharan Africa. The International Development Association (IDA) of the World Bank Group posted record lending to sub-Saharan Africa of US\$7.8 billion in fiscal year 2009, a 37% increase, and reached US\$7.2 billion in fiscal year 2010. The AfDB has accelerated its lending, increasing from US\$4.88 billion in 2008 to US\$11.79 billion in 2009 (see also Topic 13).

Innovative financing mechanisms have generated substantial global development resources, particularly for health. US\$4 billion has already been raised for the health sector through these mechanisms.

On aid effectiveness, progress against most of the targets set out for 2010 in the Paris Declaration has been slow, with little indication of improvement since last year's report. A 2008 survey showed progress in Africa (and globally) on aid untying. However, in other areas, progress in Africa has been slower or has worsened. Similarly, there has been little aggregate improvement in recording ODA in recipients' budgets – a key indicator of transparency.

## What are the future priority actions?

### Africa

- Exercise effective leadership and develop capacity in co-ordinating and harmonising donor activities at the country level;
- Make efforts to be more accountable to domestic constituents to strengthen national ownership of aid policies and programmes;
- Strengthen public financial management and procurement systems.

### Development partners

- Deliver their existing commitments to increase global ODA over 2010–2015, and increase Africa's share of this to better reflect its projected share of the world's poor in 2015;
- Significantly accelerate efforts to improve aid effectiveness to reach Accra targets ahead of the 2011 Conference on Aid Effectiveness in Seoul;
- Enhance aid transparency by publishing aid information according to IATI standards that reflects the needs and priorities of developing countries.

Topic **17****EXTERNAL DEBT****Key commitments**

**Africa:** At Monterrey (2002), Africa committed to establish national comprehensive strategies to monitor and manage external liabilities, embedded in the domestic preconditions for debt sustainability.

**Development partners:** The Monterrey Consensus called for a speedy, effective and full implementation of the enhanced Heavily Indebted Poor Countries (HIPC) initiative. In 2005 at Gleneagles, G8 countries further committed, through the Multilateral Debt Relief Initiative (MDRI), to cancel 100% of outstanding debts of eligible HIPCs to the IMF, the World Bank International Development Agency (IDA) and the African Development Fund (ADF), and to provide additional resources to ensure that the financing capacity of the above institutions is not reduced. Recognising significant improvement in key debt sustainability indicators, the 2008 Doha Financing for Development Conference stressed the need to avoid a recurrence of unsustainable levels of debt.

**What has been done to deliver on these commitments?**

**Africa:** Debt management systems in most African countries have advanced, albeit only marginally. Most countries have now set up a debt management unit, debt recording systems have improved and data on public debt is becoming more readily available. In most countries, the legal framework for public borrowing is better defined, and there are nascent efforts to co-ordinate debt-related decisions across key government agencies.

**Development partners:** The HIPC and MDRI Initiatives have made substantial progress. In addition, to help countries avoid lawsuits by creditors who do not participate in the HIPC process, the World Bank and other donors have assisted countries in buying back commercial debt at a steep discount, thus clearing debt not covered by the HIPC Initiative. The World Bank's Debt Management Facility has provided assistance on government debt issuance and management to African

and other low-income countries since November 2008. Under the Evi-an approach, development partners have also taken action to deal with debt problems of non-HIPC African countries, such as Nigeria.

On financing, however, not all donors have followed through with their commitments to compensate the World Bank and the African Development Fund for foregone revenue from debt cancellation. This has undermined the sustainability of the debt relief effort.

**What results have been achieved?**

Of the 33 eligible African countries, 29 have benefited from debt relief to date, up from 27 at the time of the last report. Within this group, those reaching the HIPC post-completion point, allowing access to irrevocable debt relief and 100% debt cancellation under the MDRI, rose from 19 to 21. Over US\$10 billion of external commercial debt has also been written off in 22 low-income countries since the creation of the Debt Reduction Facility in 1989. Grants provided to Liberia, the most recent beneficiary, enabled the country to 'buy back' US\$1.2 billion in outstanding government commercial debt with a payment of US\$38 million, representing a discount of over 97%.

Africa's external debt burden has declined dramatically as a direct result of these initiatives, from 66% to 20% of GNI over 2000–2008. As a share of export earnings, debt service payments of sub-Saharan Africa have fallen sharply, from an average of about 17% in 1998–1999 to less than 4% in 2008. These cuts have provided more fiscal space for poverty reduction. Before the HIPC Initiative, eligible countries were, on average, spending slightly more on debt service than on health and education combined. Now, spending on health, education and other social services is about five times the levels of debt servicing.

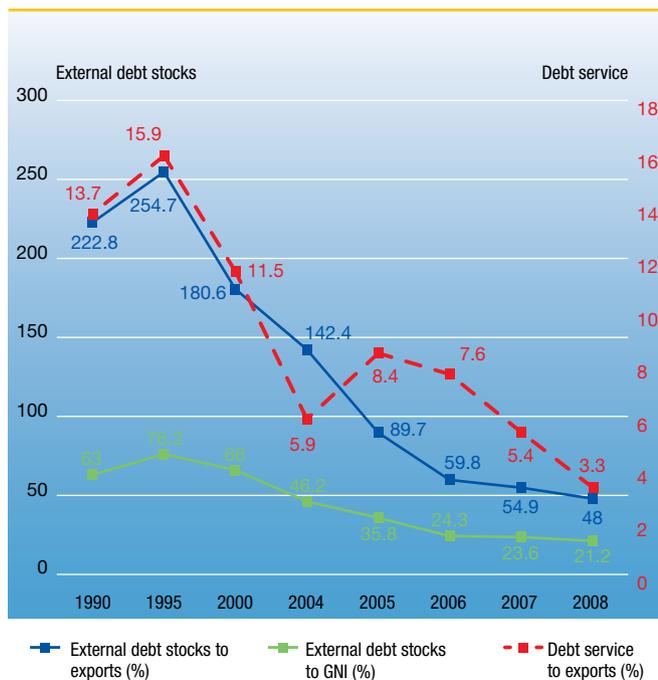
Nevertheless, several challenges remain. African countries yet to benefit from temporary or permanent debt relief require renewed international assistance to strengthen domestic policies and institutions in order to meet qualifying criteria. Co-ordinating all creditors, including smaller multilateral creditors, non-Paris Club bilateral official creditors and private creditors, for comprehensive debt relief also

External debt service ratios have fallen dramatically, freeing resources for poverty reduction. But crisis has led to increases in domestic debt, and some risks for future.



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### Debt service burden for heavily indebted countries in sub-Saharan Africa



Source: World Bank Global Development Finance (2010).

remains a challenge. Support to debtor countries to buy back their commercial debts has reduced, but not totally eliminated, remaining claims on HIPC.

The global financial crisis has compounded these challenges. Falling commodity prices, contraction in export growth and reduced external financing has forced a number of countries to increase domestic debt to address widening fiscal financing gaps (see also Topics 1, 14 and 15). This has undermined debt sustainability efforts: 7 of the 21 African countries that have benefited from HIPC and MDRI debt relief are again experiencing, or are at high risk of experiencing, debt distress. In the absence of a longer-term, comprehensive mechanism to reduce a country's exposure to its creditors, the outlook of such countries is uncertain, and the need for future debt relief measures cannot be ruled out.

## What are the future priority actions?

### Africa

- Sustain efforts to enhance debt management and sustainability;
- For the remaining 12 pre-HIPC completion countries, sustain efforts to reach completion.

### Development partners

- Provide more technical assistance to strengthen public debt management capacities in African countries;
- Continue efforts to discourage lawsuits against HIPCs by non-Paris Club creditors;
- Maximise the concessionality of new funding and prioritise grants over loans to ensure that a return to unsustainable debt levels is avoided.

## Topic 18

## CLIMATE FINANCE

(This section should be read together with the separate Topic 6 - Climate Change)

## Key commitments

**Africa:** The African Ministerial Conference on the Environment at the Special Session on Climate Change (Nairobi, 2009) urged that the financial resources required to tackle climate change should be new and additional, adequate, predictable, sustainable and provided, primarily in the form of grants.

**Development partners:** Development partners have made a series of general and more recently, specific commitments on climate change financing. As early as the 1992 United Nations Framework Convention on Climate Change (UNFCCC), developed countries agreed to assist vulnerable developing nations meet the adaptation costs of adverse climate change impacts. The 2007 Bali Action Plan underlined the need to provide developing countries with adequate, new and additional financial resources, although specific volumes were not detailed. In the 2009 Copenhagen Accord, a group of developed countries pledged resources approaching US\$30 billion of new and additional 'Fast Start' funding over 2010–2012 to help poorer nations initiate environment-friendly development programmes and adapt to the worst consequences of climate change, with balanced allocation between adaptation and mitigation. This group further agreed to a goal of jointly mobilising US\$100 billion annually by 2020 from public and private sources, including alternative sources of finance.

## What has been done to deliver on these commitments?

**Africa:** As part of the preparation for climate negotiations, Africa has commissioned studies on financing requirements by the continent to address climate change challenges.

**Development partners:** Under the aegis of the UNFCCC, three funds have been established: (1) the Least Developed Countries Fund (LDCF), with US\$221 million pledged to date to help least-developed countries prepare and implement national adaptation programmes of action; (2) the Special Climate Change Fund (SCCF), with US\$148 million pledged to support adaptation and mitigation projects in all developing countries;

and (3) the Adaptation Fund (AF), with resources coming from a 2% levy on proceeds issued to Clean Development Mechanism (CDM) projects and contributions by donors; it is estimated that the Fund could mobilise about US\$180 to 200 million a year by 2012. In addition, the Global Environment Facility (GEF), an operating entity of the Convention's financial mechanism, has used contributions to the GEF Trust Fund totaling over US\$ 3.3 billion to support mitigation projects.

Much larger funding initiatives have been set up outside of the Convention. Most noteworthy are the Climate Investment Funds, collaborative efforts among the World Bank, other multilateral development banks and bilateral donors to bridge financing and learning gaps in the climate finance architecture. The Fund has, to date, received pledges of US\$6.3 billion from 13 donors, of which US\$680 million has been paid in. A number of specialized funds, including from bilateral sources, have been established to reduce emissions from deforestation and forest degradation and to promote energy efficiency and renewable resources (see also Topics 5 and 6).

*Fast Start Funding:* Most countries committing to the Copenhagen Accord have announced detailed pledges, with many outlining how and through which mechanisms assistance will be delivered. Total pledges now amount to US\$26 billion of public funds and over US\$30 billion if private funding is included. However, the extent to which pledges from some donors represents new and additional financing remains a concern, and therefore good accounting will be needed to make sure this fear is addressed.

*Longer-Term Funding:* The UN Secretary-General has established a High-Level Advisory Group on Climate Change Financing (AFG), co-chaired by Norway and Ethiopia, to develop proposals and a new analytical framework to significantly scale-up long-term financing. Options being considered by the AGF include, among others, auctions of emissions allowances and carbon taxes or levies on specific activities (such as air travel and financial transactions). Public funding will play an important role in leveraging private sector resources and investments through, for example, risk mitigation and risk sharing. The AFG report is expected to be submitted in October 2010.

*Climate finance will become increasingly important. Africa's access to existing mechanisms marginal. Greater access needed to Fast Start and new longer-term funding.*



UN Photo/Evan Schneider

## What results have been achieved?

Results have not been impressive to date, and climate financing faces a series of challenges. Firstly, financing, relative to need, is off track by orders of magnitude. Total pledges received through the financial mechanisms of the UNFCCC amounted to just US\$474 million as of May 2010. Developing countries have received a fraction of the money promised, and less than 15% of the pledged funds have been disbursed. Of funds already disbursed, Africa's share is less than 12%. Further, existing funding mechanisms show a disproportionate attention to mitigation at the expense of climate adaptation, a high priority for Africa. Consolidated data on disbursements of the Fast Start funds are not yet available.

Secondly, there are significant challenges concerning the structure, governance and allocation of existing climate funding mechanisms. Most common among developing-country concerns are the disproportionately larger role of developed countries in decisions on allocations and disbursements, complex and lengthy procedures and, in certain cases, the use of unsuitable instruments in low-income economies. Recent UNFCCC discussions have made some progress on climate financing governance.

Africa's access to carbon finance has been marginal but is slowly im-

### **Clean Development Mechanism (CDM) projects worldwide**



Source: UNFCCC.

proving. The CDM, a major catalyst of low-carbon investments in developing countries, with US\$2.7 billion in sales of emissions credits in 2009, has so far been insignificant for Africa. But recent information shows an upward trend: as of April 2010, 23 African countries had submitted a total of 122 CDM projects, and sales of emission credits from Africa have increased over the past year. On a pilot basis, several African countries are also involved in other carbon market opportunities, such as the Reduced Emissions from Deforestation and Forest Degradation (REDD) (see Topic 5).

Finally, the proliferation of actors and programmes in environmental aid has increased significantly. As funding is scaled up, their effectiveness must be ensured by rigorously applying the principles adopted under the Paris Declaration and Accra Agenda for Action, most particularly regarding aid fragmentation and donors' harmonisation practices.

## Where are the future priority actions?

### **Africa**

- Develop plans and initiatives to effectively and efficiently use climate change finance and ensure accountability of resource use;
- Strengthen capacities to better engage in CDM and REDD+ processes.

### **Development partners**

- Provide new and additional Fast Start Funding of US\$30 billion over 2010–2012 agreed at Copenhagen to support both adaptation and mitigation in developing countries, including Africa;
- Support reforms, such as streamlining CDM registration and emission credit issuance, to make existing carbon market mechanisms more relevant and accessible to Africa.

### **Africa and development partners collectively**

- Agree at COP 16 practical proposals to scale up longer-term financing to reach US\$100 billion annually by 2020, meeting the following criteria:  
(a) predictability and reliability of funds; (b) an allocation mechanism delivering substantial resources to Africa in line with both its needs and its own constrained resources; (c) a simple and efficient delivery mechanism, reflecting both the lessons learned from and the principles agreed to, on aid effectiveness.



# APPENDICES

## **Charts & figures**

*Millennium Development Goals: progress at 2010*  
*Progress and projections in selected MDGs*  
*Selected summary data: North Africa, sub-Saharan Africa*  
*Development finance: overview table*  
*Development assistance: overview table*  
*Africa's share of global ODA*  
*Africa's share of world's poor*

## **Boxes**

*Capacity development*  
*Regional integration*

## **References**

## **Acronyms**

## **Acknowledgements**

# CHARTS & FIGURES

## Millennium Development Goals: progress at 2010

The progress chart operates on two levels. The words in each box indicate the present degree of compliance with the target. The colours show progress towards the target according to the legend below:

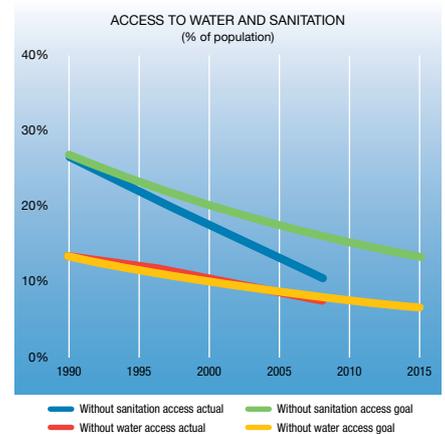
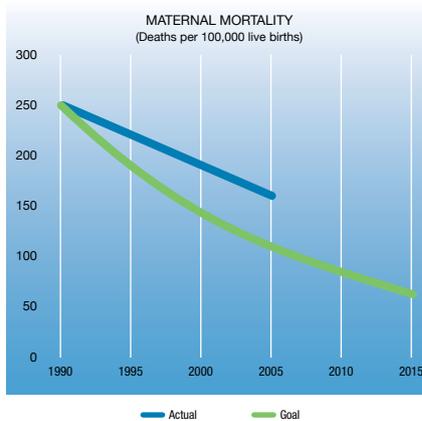
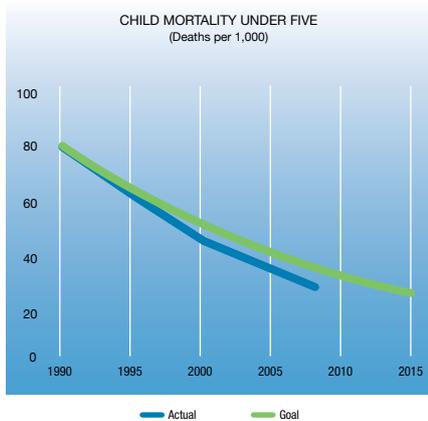
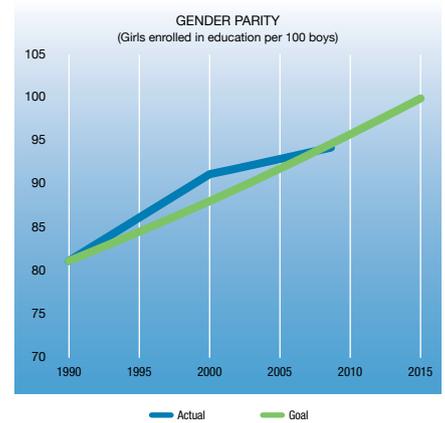
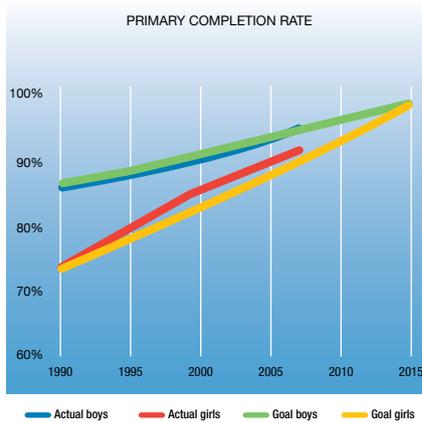
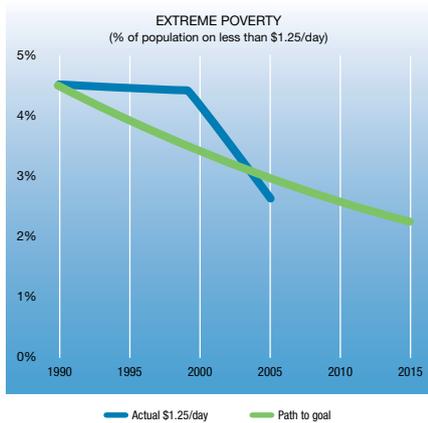
- Already met the target or very close to meeting the target
- Progress sufficient to reach the target if prevailing trends persist
- Progress insufficient to reach the target if prevailing trends persist
- Deterioration or no progress

	North Africa	Sub-Saharan Africa
<b>GOAL 1: ERADICATE EXTREME POVERTY AND HUNGER</b>		
Reduce extreme poverty by half	low poverty	very high poverty
Productive and decent employment	very large deficit in decent work	very large deficit in decent work
Reduce hunger by half	low hunger	very high hunger
<b>GOAL 2: ACHIEVE UNIVERSAL PRIMARY EDUCATION</b>		
Universal primary schooling	high enrolment	moderate enrolment
<b>GOAL 3: PROMOTE GENDER EQUALITY AND EMPOWER WOMEN</b>		
Girls' equal enrolment in primary school	close to parity	close to parity
Women's share of paid employment	low share	medium share
Women's equal representation in national parliaments	very low representation	low representation
<b>GOAL 4: REDUCE CHILD MORTALITY</b>		
Reduce mortality of under-five-years-olds by two-thirds	low mortality	very high mortality
<b>GOAL 5: IMPROVE MATERNAL HEALTH</b>		
Reduce maternal mortality by three quarters*	moderate mortality	very high mortality
Access to reproductive health	moderate access	low access
<b>GOAL 6: COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES</b>		
Halt and reverse spread of HIV/AIDS	low prevalence	high prevalence
Halt and reverse spread of tuberculosis	low mortality	high mortality
<b>GOAL 7: ENSURE ENVIRONMENTAL SUSTAINABILITY</b>		
Reverse loss of forests	low forest cover	medium forest area
Halve proportion without improved drinking water	high coverage	low coverage
Halve proportion without sanitation	moderate coverage	very low coverage
Improve the lives of slum-dwellers	moderate proportion of slum-dwellers	very high proportion of slum-dwellers
<b>GOAL 8: DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT</b>		
Internet users	high usage	low usage

\*The available data for maternal mortality do not allow a trend analysis. Progress has been assessed by the responsible agencies on the basis of proxy indicators.

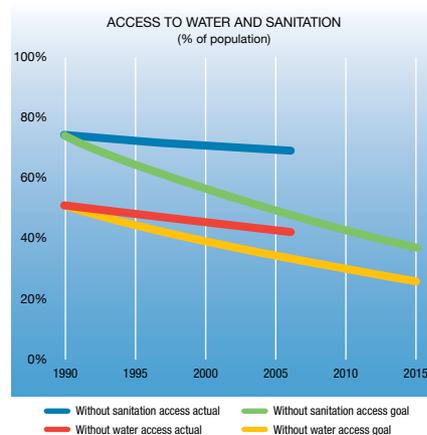
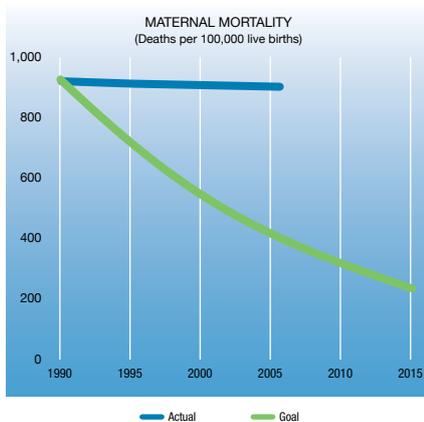
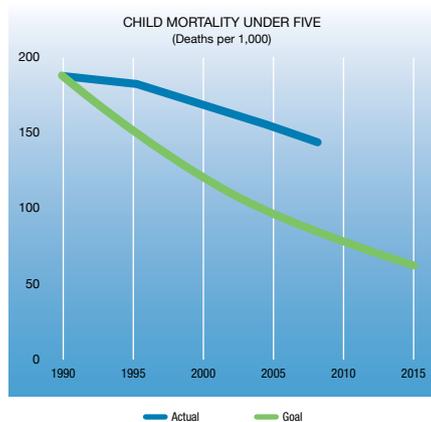
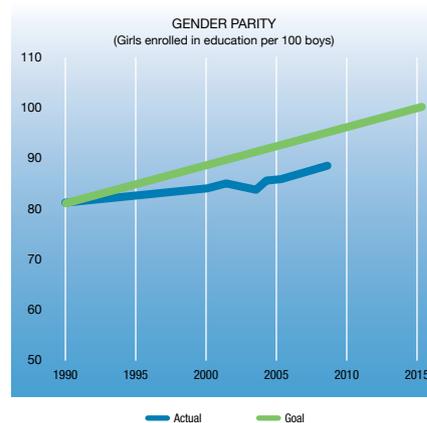
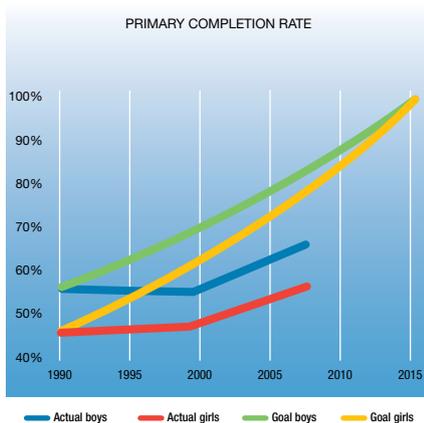
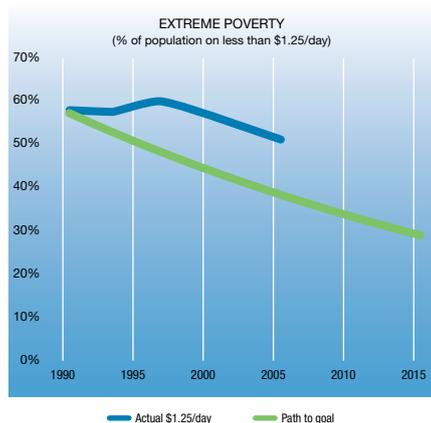
Source: Department of Economic and Social Affairs, United Nations, 2010.

**Current progress against selected Millennium Development Goals, North Africa**



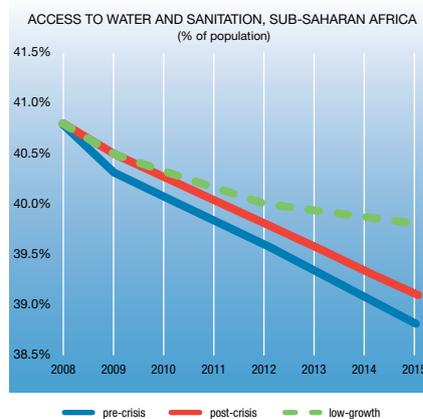
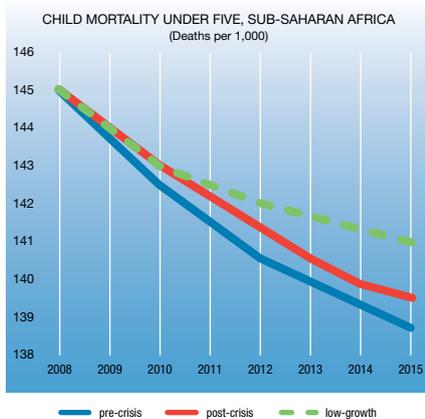
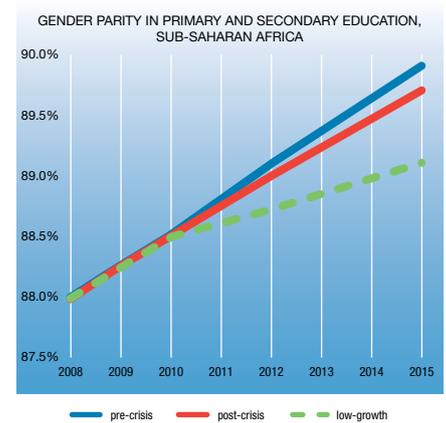
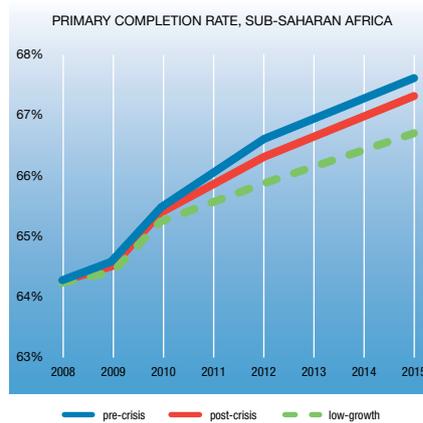
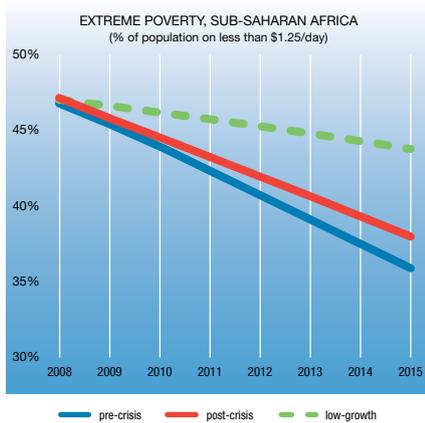
Sources: IBRD/World Bank, 2010, Global Monitoring Report; United Nations, 2010, The Millennium Development Goals Report.

**Current progress against selected Millennium Development Goals, sub-Saharan Africa**



Sources: IBRD/World Bank, 2010, Global Monitoring Report; United Nations, 2010, The Millennium Development Goals Report.

**Projected progress against selected Millennium Development Goals, sub-Saharan Africa (pre-crisis, post-crisis and low-growth scenarios)**



Source: IBRD/World Bank 2010, Global Monitoring Report.

**Selected summary data: North Africa, sub-Saharan Africa**

	North Africa		Sub-Saharan Africa	
	2000	2008	2000	2008
<b>People</b>				
Population, total (millions)	144.4	164.1	671.8	819.3
Population growth (annual %)	1.6	1.6	2.6	2.5
Life expectancy at birth, total (years)	69	71	50	52
Fertility rate, total (births per woman)	2.9	2.6	5.6	5.1
Contraceptive prevalence (% of women ages 15-49)	59	60	22	23
Births attended by skilled health staff (% of total)	77	87	45	46
Mortality rate, under 5 (per 1,000 births)	46	29	166	144
Malnutrition prevalence, weight for age (% of children under 5)	5	5	28	25
Immunization, measles (% of children ages 12-23 months)	93	93	55	72
Primary completion rate (% of relevant age group)	81	97	53	62
Gross secondary enrolment (% of relevant age group)	67	75	25	33
Ratio of girls to boys in primary and secondary education (%)	93	95	84	88
<b>Environment</b>				
Forest area (sq. km; thousands)	77	81	6,451	6,145
Deforestation (average annual %, 2000-2008)	–	0.6	–	-0.5
Agricultural land (% of land area)	17	17	43.3	44.5
Improved water source (% of population with access)	89	92	55	60
Improved sanitation facilities (% of population with access)	83	89	29	31
Energy use (kg of oil equivalent per capita)	736	899	641	662
Electric power consumption (kWh per capita)	857	1239	490	550
<b>Economy</b>				
GDP (current US\$ billions)	245.0	551.2	342.4	978.1
GDP per capita (current US\$)	1,696	3,358	509.7	1193.8
GDP growth (annual %)	3.8	4.9	3.6	5.6
Agriculture, value added (% of GDP)	13	9	17	12
Industry, value added (% of GDP)	42	50	29	33
Services, etc., value added (% of GDP)	45	40	54	55
Exports of goods and services (% of GDP)	28	46	32	36
Imports of goods and services (% of GDP)	25	36	31	39
Gross capital formation (% of GDP)	22	29	17	23
Revenue, excluding grants (% of GDP)	31	37	22	27

	North Africa		Sub-Saharan Africa	
	2000	2008	2000	2008
<b>States and markets</b>				
Time required to start a business (days)	–	14	–	44
Mobile cellular subscriptions (per 100 people)	3	67	2	33
Internet users (per 100 people)	0.7	19.0	0.5	6.5
Roads, paved (% of total roads)	66	71	12	25
<b>Global links</b>				
Merchandise trade (% of GDP)	41.4	67.4	51.4	64.9
External debt stocks, total (US\$ billions)	86.4	79.7	211	196
Total debt service (% of exports of goods & services)	12.3	4.3	11.5	3.3
Workers' remittances (US\$ billions)	6.6	14.5	5	20
Foreign direct investment, net inflows (US\$ billions)	2.8	21.4	7	34
Net official development assistance (current US\$ billions)	2.2	4.0	13	40

Sources: Adapted from the World Bank, The Little Data Book, 2010; WHO/UNICEF, Progress on Sanitation and Drinking Water, 2010 Update; Vivien Foster and Cecilia Briceno-Garmendia (eds.), 2010; OECD-DAC for net ODA flows.

**Development finance: overview table (US\$ billions, nominal)****Africa**

	2002	2003	2004	2005	2006	2007	2008	2009
Domestic revenue	129.1	154.5	197.2	252.6	328.4	370.5	472.2	366.9
Private flows	9.8	18.0	23.9	36.5	47.5	60.3	36.6	28.4
ODA	21.7	27.1	29.5	35.5	43.5	39.1	44.0	43.0
<b>Total</b>	<b>160.6</b>	<b>199.6</b>	<b>250.6</b>	<b>324.6</b>	<b>419.4</b>	<b>469.9</b>	<b>552.8</b>	<b>438.3</b>

**North Africa**

	2002	2003	2004	2005	2006	2007	2008	2009
Domestic revenue	58.7	63.6	75.7	98.3	123.1	140.7	193.4	152.7
Private flows	2.9	4.5	2.9	7.5	14.1	12.7	13.4	9.4
ODA*	2.5	2.3	3.2	2.8	2.9	3.6	4.0	2.0
<b>Total</b>	<b>64.1</b>	<b>70.4</b>	<b>81.8</b>	<b>108.6</b>	<b>140.1</b>	<b>157.0</b>	<b>210.8</b>	<b>164.1</b>

**Sub-Saharan Africa**

	2002	2003	2004	2005	2006	2007	2008	2009
Domestic revenue	70.4	90.9	121.5	154.3	205.3	229.8	278.8	214.2
Private flows	6.9	13.5	21.0	29.0	33.4	47.6	23.2	19.0
ODA*	19.2	24.8	26.3	32.7	40.6	35.5	40.0	41.0
<b>Total</b>	<b>96.5</b>	<b>129.2</b>	<b>168.8</b>	<b>216.0</b>	<b>279.3</b>	<b>312.9</b>	<b>342.0</b>	<b>274.2</b>

\*Unallocated ODA (shown in the Development Assistance table below), which reflects regional projects all programmes, is split between sub-Saharan Africa and North Africa in this table. Sources: IMF Regional Economic Outlook Series: Middle East and Central Asia (April 2010), sub-Saharan Africa (April 2010); OECD Development Co-operation Report (2010) and updates; World Bank, Global Economic Prospects, 2010.

**Development assistance: overview table**

Region or country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 est.
South of Sahara	12.7	14	18.9	24.5	26	32.2	39.9	34.5	39.0	38.5
North of Sahara	2.2	2.4	2.3	2.2	3.0	2.6	2.7	3.2	3.7	5.0
Africa, unallocated	0.7	0.4	0.5	0.4	0.5	0.7	0.8	1.5	1.3	N/A
<b>Total Africa</b>	<b>15.6</b>	<b>16.8</b>	<b>21.7</b>	<b>27.1</b>	<b>29.5</b>	<b>35.5</b>	<b>43.5</b>	<b>39.1</b>	<b>44.0</b>	<b>43.0</b>
Debt relief	1.1	1.5	3.2	6.7	4.3	8.9	15.2	3.7	2.0	1.7
<b>Total ODA minus debt relief</b>	<b>14.5</b>	<b>15.2</b>	<b>18.5</b>	<b>20.4</b>	<b>25.2</b>	<b>26.6</b>	<b>28.3</b>	<b>35.4</b>	<b>42.0</b>	<b>41.3</b>

*Percentage*

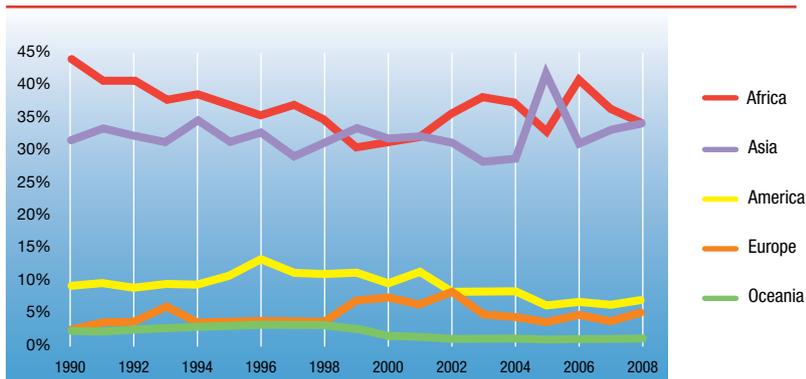
Share of Africa (%)	31.3	32.1	35.8	38.3	37.4	32.9	41.0	36.5	34.2	35.7
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*For reference*

Global ODA (US\$ billions)	53.8	52.3	58.3	69.1	79.4	107.1	104.4	103.5	121.5	119.6
ODA/GNI ratio (%)	0.22	0.22	0.23	0.25	0.26	0.33	0.31	0.28	0.31	0.31

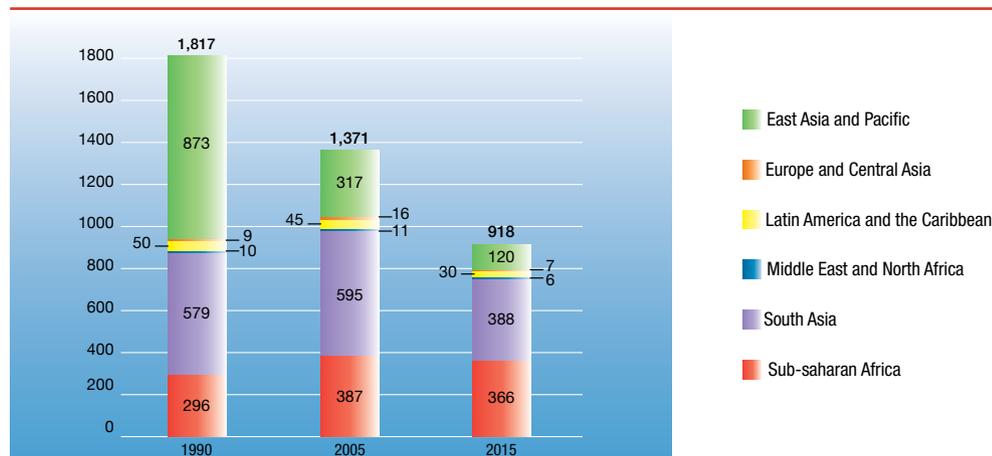
Sources: OECD-DAC; OECD Development Co-operation Report, January 2010 and updates.

## Regional shares of net total ODA



Source: OECD Development Aid at a Glance, 2010: Statistics by region.

## Numbers of people living on less than US\$1.25 a day (millions) by region



Region or country	1990	2005	2015	1990	2005	2015
	Percentage of the population living on less than \$1.25 a day			Number of people living on less than \$1.25 a day (millions)		
East Asia and Pacific	54.7	16.8	5.9	873	317	120
<i>of which China</i>	60.2	15.9	5.1	683	208	70
Europe and Central Asia	2.0	3.7	1.7	9	16	7
Latin America and the Caribbean	11.3	8.2	5.0	50	45	30
Middle East and North Africa	4.3	3.6	1.8	10	11	6
South Asia	51.7	40.3	22.8	579	595	388
<i>of which India</i>	51.3	41.6	23.6	435	456	295
sub-Saharan Africa	57.6	50.9	38.0	296	387	366
<b>Total</b>	<b>41.7</b>	<b>25.2</b>	<b>15.0</b>	<b>1,817</b>	<b>1,371</b>	<b>918</b>

Source: IBRD/World Bank, 2010. Global Monitoring Report (post-crisis scenario).

## BOXES

**CAPACITY DEVELOPMENT**

The challenge of capacity shortages spans all the topics in this report. It is central to the growth agenda – Africa needs to expand its supply of labour market skills in order to become more competitive in global markets. It is central to investing in people – Africa needs more trained teachers and health workers to deliver faster progress towards the education and health MDGs. It is central to the good governance agenda – many governance institutions, such as the legislature, executive and judiciary, suffer from serious capacity constraints. The capacity of the public bureaucracy remains weak due to factors including the low pay, poor working conditions and lack of training that persist in the public sector of many African countries. Many countries still lack the capacity to translate broad policies into sectoral programmes and to implement these, including new concerns such as managing the consequences of climate change. More capacity is needed in areas such as peacekeeping and the security sector. And more capacity is needed not only in national governments but also in regional and continental institutions.

There have been efforts by both national governments and regional and continental institutions, and by development partners, to address the capacity challenge, including a series of targeted capacity building initiatives under the NEPAD capacity development initiative, as well as programmes agreed with multilateral institutions such as the World Bank. Resources have been committed; however, the results continue to be

disappointing. With the exception of a few countries, public service reforms have not achieved their intended objectives. The loss of key skilled workers, including through the ‘brain drain’ to other regions, continues to be a major problem (though also a source of remittances).

There is a strong link to education sector policy and priorities. Although universal primary education lays the foundation for a more literate and numerate labour force, there has been only limited progress in increasing formal vocational training and making tertiary education more relevant to the labour market. But the challenge is not simply one of capacity development; it is also one of capacity utilisation and retention. This means addressing the wider policy environment – people have to be trained, adequately equipped and sufficiently remunerated in order to perform effectively.

Key priorities now for African governments are to address supply issues, including through strengthened vocational training in the formal and informal sectors, to address utilisation issues through taking forward institutional reform and to address retention issues via targeted schemes to improve working conditions and remuneration in areas where there are critical shortages. Development partners should reinforce these efforts, including through a review of their own recruitment practices in areas where there are shortages of skilled workers, such as the health sector, as well as enhanced financial and technical assistance.

## REGIONAL INTEGRATION

The institutional landscape in Africa has been transformed since 2000, in particular with the establishment of the African Union as the key continental institution. The Regional Economic Communities (RECs) also have a key role to play. The African Union has recognised eight of these – though they have overlapping membership and trade arrangements. African leaders have recognised the need both to rationalise and to strengthen the RECs, and to harmonise their activities. Progress to date has, however, been slow. Development partners, including the EU, have stated that they are committed to work in support of regional integration and trade in Africa.

The RECs have a particularly important role to play in helping to promote economic growth. Closer regional economic integration creates the conditions for increased trade, and by increasing market size can also help to attract both domestic and foreign investment. Regional capital markets can help overcome the narrowness of national markets. The development of infrastructure and the management of natural resources both require a regional approach (for instance, on issues of trans-boundary water management). But they also have a key role to play in other areas. They have been active in the promotion of democracy and good governance, and on peace and security issues. The Africa-led peacekeeping forces in Liberia and Cote d'Ivoire were put in place by the Economic Community of West African States (ECOWAS).

Regional instruments on the control of small arms and light weapons have been developed by states in the East Africa, Great Lakes and Horn of Africa regions, and by ECOWAS.

It will be important to accelerate three processes. The first is the rationalisation of the current overlapping arrangements. The second is the deepening of the process of integration within the subregions. The third is the process of co-ordination across the different subregions. The lead in all these areas is clearly for African governments. But it is important that the policies of development partners, for instance in the area of trade, help to reinforce these processes.

### **List of Regional Economic Communities (RECs)**

- Community of Sahel-Saharan States (CEN-SAD)
- Common Market for Eastern and Southern Africa (COMESA)
- East African Community (EAC)
- Economic Community of Central African States (ECCAS)
- Economic Community of West African States (ECOWAS)
- Intergovernmental Authority for Development (IGAD)
- Southern African Development Community (SADC)
- Union du Maghreb Arabe (UMA)

Source: UNECA, Assessing Regional Integration in Africa, Reports I-IV.

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# ACRONYMS

<b>ACPC</b>	African Climate Policy Centre
<b>AfDB</b>	African Development Bank
<b>AfDF</b>	African Development Fund
<b>AfT</b>	Aid for Trade
<b>AF</b>	Adaption Fund
<b>AFSI</b>	L'Aquila Food Security Initiative
<b>AIDS</b>	Acquired Immune Deficiency Syndrome
<b>AMC</b>	Advanced Market Commitments
<b>AMCEN</b>	African Ministerial Conference on the Environment
<b>AMISEC</b>	African Mission in Support of Elections in the Comoros
<b>AMISOM</b>	African Mission in Somalia
<b>APF</b>	Africa Partnership Forum
<b>APP</b>	Africa Progress Panel
<b>APRM</b>	African Peer Review Mechanism
<b>APSA</b>	African Peace and Security Architecture
<b>ATAF</b>	African Tax Administration Forum
<b>ATT</b>	Arms Trade Treaty
<b>AU</b>	African Union
<b>BITs</b>	Bilateral Investment Treaties
<b>CAADP</b>	Comprehensive African Agricultural Development Programme
<b>CAHOSCC</b>	Conference of African Heads and Governments on Climate Change
<b>CARMMA</b>	Campaign on Accelerated Reduction on Maternal Mortality in Africa
<b>CBD</b>	Convention on Biological Diversity
<b>CDM</b>	Clean Development Mechanism

<b>CO<sub>2</sub></b>	Carbon Dioxide
<b>COMESA</b>	Common Market for Eastern and Southern Africa
<b>COP</b>	Conference of the Parties
<b>CPIA</b>	World Bank's Country Policy and Institutional Assessment
<b>DAC</b>	Development Assistance Committee
<b>EAC</b>	East African Community
<b>EASSy</b>	East Africa Submarine Cable System
<b>ECOWAN</b>	ECOWAS Wide Area Network
<b>ECOWAS</b>	Economic Community of West African States
<b>EDF</b>	European Development Fund
<b>EFA</b>	Education for All
<b>EISA</b>	Electoral Institute for the Sustainability of Democracy in Africa
<b>EITI</b>	Extractive Industries Transparency Initiative
<b>EPI</b>	Environmental Performance Indicator
<b>EU</b>	European Union
<b>FAO</b>	Food and Agriculture Organisation
<b>FDI</b>	Foreign Direct Investment
<b>FTA</b>	Free Trade Area
<b>FTI</b>	Fast Track Initiative
<b>G8</b>	Group of Eight
<b>G20</b>	Group of Twenty
<b>GDP</b>	Gross Domestic Product
<b>GEF</b>	Global Environment Facility
<b>GFATM</b>	Global Fund for AIDS, Tuberculosis and Malaria
<b>GHG</b>	Greenhouse gas
<b>GNI</b>	Gross National Income
<b>GPOA</b>	Gender Plan of Action
<b>HIPC</b>	Highly Indebted Poor Country
<b>HIV/AIDS</b>	Human Immunodeficiency Virus/ Acquired Immune Deficiency Syndrome
<b>IATI</b>	International Aid Transparency Initiative
<b>IBRD</b>	International Bank for Reconstruction and Development
<b>ICA</b>	Infrastructure Consortium for Africa
<b>ICTs</b>	Information and Communication Technologies

<b>IDA</b>	International Development Association	<b>SADC</b>	Southern African Development Community
<b>IEA</b>	International Energy Agency	<b>SALWs</b>	Small Arms and Light Weapons
<b>IFAD</b>	International Fund for Agricultural Development	<b>SCCF</b>	Special Climate Change Fund
<b>IFFIm</b>	International Financing Facility for Immunisation	<b>SDR</b>	Special Drawing Rights
<b>IFI</b>	International Financial Institution	<b>SIPRI</b>	Stockholm International Peace Research Institute
<b>IFPRI</b>	International Food Policy Research Institute	<b>SSA</b>	sub-Saharan Africa
<b>IHP</b>	International Health Partnerships	<b>StAR</b>	Stolen Assets Recovery Initiative
<b>IMF</b>	International Monetary Fund	<b>TB</b>	Tuberculosis
<b>IT</b>	Information Technology	<b>TNA</b>	Technology Needs Assessments
<b>ITNs</b>	Insecticide Treated Nets	<b>UN</b>	United Nations
<b>LCDF</b>	Least Developed Countries Fund	<b>UNAIDS</b>	The Joint United Nations Programme on HIV/AIDS
<b>LDCs</b>	Least Developed Countries	<b>UNAMID</b>	United Nations-African Union Mission in Darfur
<b>LICs</b>	Lower Income Countries	<b>UNCAC</b>	United Nations Convention Against Corruption
<b>MDB</b>	Multilateral Development Bank	<b>UNCCD</b>	United Nations Convention to Combat Desertification
<b>MDGs</b>	Millennium Development Goals	<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>MDRI</b>	Multilateral Debt Relief Initiative	<b>UNDP</b>	United Nations Development Programme
<b>MRDE</b>	Mutual Review of Development Effectiveness	<b>UNECA</b>	United Nations Economic Commission for Africa
<b>NAPA</b>	National Adaptation Programme of Action	<b>UNESCO</b>	United Nations Educational, Scientific and Cultural Organisation
<b>NAB</b>	New Arrangements to Borrow	<b>UNFCCC</b>	United Nations Framework Convention on Climate Change
<b>NEPAD</b>	New Partnership for Africa's Development	<b>UNOSAA</b>	United Nations Office of the Special Adviser on Africa
<b>NPCA</b>	NEPAD Planning and Co-ordination Agency	<b>UPE</b>	Universal Primary Education
<b>ODA</b>	Official Development Assistance	<b>US</b>	United States
<b>OECD</b>	Organisation for Economic Co-operation and Development	<b>WEF</b>	World Economic Forum
<b>PEPFAR</b>	US President's Emergency Program for AIDS Relief	<b>WHO</b>	World Health Organization
<b>PPI</b>	Private Participation in Infrastructure	<b>WTO</b>	World Trade Organization
<b>PPP</b>	Public-Private Partnership		
<b>PRSP</b>	Poverty Reduction Strategy Paper		
<b>PSC</b>	Peace and Security Council		
<b>RAP</b>	Regional Action Programme		
<b>RCIP</b>	Regional Communications Infrastructure Programme		
<b>REC</b>	Regional Economic Community		
<b>REDD</b>	Reducing Emissions from Deforestation and Forest Degradation		
<b>SACU</b>	Southern African Customs Union		

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Fuller details on commitments by both Africa and its development partners are contained on the Commit4Africa website (<http://www.commit4africa.org>); this will be updated following publication of the Report as further commitments are made.

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The UNECA-OECD 2010 *Mutual Review of Development Effectiveness in Africa: Promise & Performance* is intended to provide a focused and accessible set of answers to four questions:

- **What are the main commitments which have been made by Africa and its development partners?**
- **Have these been delivered?**
- **What have the results been?**
- **What are now the key future policy priorities?**

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