

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

2012 Mutual Review of Development Effectiveness in Africa

The UNECA-OECD 2012 *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?

The report can be found at:

United Nations Economic Commission for Africa
www.uneca.org

Organisation for Economic Co-operation and Development
www.oecd.org

www.mrde-africa.org

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UNECA-OECD

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

2012



Economic Commission
for Africa



OECD

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

The 2012 *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 Planning and Coordination Agency (NPCA). The APF Support Unit has facilitated the preparation of this report.

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2012



Preface

Africa is emerging as a new pole of global growth. Despite the weak and uneven recovery in many advanced economies, growth is expected to rebound in Africa in 2012. With an increasing number of people being lifted out of poverty, an emerging middle class, a new generation of innovative entrepreneurs, and increasing school enrolment, the continent is reaping the benefits of years of hard work, better macroeconomic management, and integration into the world economy. The transition process in parts of North Africa and the consolidation of democracies in other parts of Africa have created much optimism, high expectations and huge potential in terms of economic and social development. Nevertheless, major challenges remain: poverty is still widespread, famine and food insecurity affect many, violent conflicts persist in certain places, youth unemployment is high and climate change poses a growing threat to long-term development prospects. More immediately, the world is only three years away from the target date for the Millennium Development Goals, and already starting to think about post-2015 Goals.

Against this background, this fifth joint “Mutual Review of Development Effectiveness in Africa” by the United Nations Economic Commission for Africa (UNECA) and the Organisation for Economic Co-operation and Development (OECD), reviews the delivery of commitments made by African governments and their international partners, the results achieved and future policy priorities. It covers four broad policy areas: sustainable economic growth, investment in people, good governance, and financing for development. Within these four areas, it looks at 18 individual topics.

The report is a unique collaborative exercise in mutual accountability, undertaken under a mandate from NEPAD Heads of State and Government. It aims to provide a practical tool for political leaders and policy makers. It looks at Africa as a whole, while recognising the remarkable degree of diversity across the continent. It builds on the shift from aid effectiveness to development effectiveness at the Fourth High Level Forum on Aid Effectiveness in Busan.

This report shows that the track record continues to be mixed on the delivery of commitments and on the results achieved. For example, there has been real progress on the part of African governments in improving political and economic governance, restoring growth and rebuilding domestic revenue to an all-time high following the crisis, increasing access to primary education and health services, and reducing extreme poverty. Development partners have made an important contribution, including through substantial Official Development Assistance, even though earlier commitments have not been met in full. But enormous challenges remain in sustaining this growth, increasing investment, tackling infrastructure constraints, galvanizing the potential of women and youth, and accelerating progress on the most ‘hard-to-reach’ MDGs in the continent, including improving access to clean water and sanitation and reducing maternal and child mortality.

The development process in Africa is being led more and more visibly by African governments, stakeholders and citizens. Domestic revenue provides the main source of finance for their development efforts. Closer regional integration, in areas such as trade and infrastructure, is also essential to support this process. We welcome the increasing momentum that has been given in all these areas over the last year. But a successful development path for Africa is also linked to what happens in the wider global economy and to effective international support. We commend the countries that are keeping to their commitments in spite of tough fiscal consolidation plans. The crisis should not be used as an excuse to reduce development assistance. The focus of the G-20 on development since its November 2010 Summit in Seoul, and reiterated at its November 2011 Summit in Cannes, has also been an important step forward. At the OECD, this approach will be strengthened with a broader OECD strategy focused on knowledge sharing, growth enhancing policies and policy coherence.

Against this background, we identify the following priorities for Africa and its development partners.

We offer our support and call on African governments:

- To maintain the momentum of political and economic reform, which has gathered pace over the last year, and their collective efforts to bring greater peace and security to the continent;
- To deepen the process of regional integration, building on the new momentum over the last year;
- To continue to increase domestic resource mobilisation and capitalise on the opportunities for attracting increased domestic and foreign investment; and
- To use these resources to accelerate progress towards the MDGs.

We offer our support and call on Africa's development partners:

- To deepen co-operation in key areas of economic governance such as international tax issues and tackling illicit capital flows, in order to support Africa's efforts to increase domestic revenue;
- To continue to resist protectionist pressures, and to re-double efforts to achieve further multilateral trade liberalisation;
- To resist pressure on aid levels, deliver those commitments which have been made to increase Official Development Assistance to Africa by 2015, and monitor progress towards this; and
- To facilitate Africa's enhanced participation in any new arrangements for global governance.

We offer our support and call on the international community collectively:

- To seize the opportunity of the United Nations Conference on Sustainable Development (Rio+20) to put an international investment strategy in place to facilitate the transition towards a green economy; and
- To follow up the Fourth High level Meeting on Aid Effectiveness in Busan by building a true and inclusive global partnership to accelerate progress towards the MDGs, and design a framework for post-2015 Goals.

We, the UNECA and the OECD, stand ready to support African governments and stakeholders in business and society to reap the full benefits of Africa's economic potential. This is essential to create more inclusive growth and development, and achieve better lives for Africans.



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Executive Summary

The Mutual Review of Development Effectiveness is an exercise in mutual accountability undertaken jointly by the UN Economic Commission for Africa and the OECD following a request of NEPAD Heads of State and Government in 2003. 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. It complements the self-assessments produced by each side to the partnership, and is in line with the shift in emphasis from aid effectiveness to development effectiveness, and the emphasis on mutual accountability at Busan. The meetings of NEPAD Heads of State and Government in January 2012 and AU/ECA Finance Ministers in March 2012 reaffirmed the value of this exercise.

The 2012 report follows the same structure as the interim and previous reports, divided into 4 main 'clusters' of issues covering: sustainable economic growth, investing in people, good governance and financing for development. Its main findings are:

Sustainable economic growth

(i) Africa is emerging as a new pole of global growth: the continent is recovering from the global crisis of 2009 and this should be sustained even though a new global slowdown is constraining Africa's growth. Africa's economy should see a rebound in 2012 after popular uprisings and political unrest brought overall economic growth down to 2.7% in 2011. With the gradual recovery of North African economies, Africa's average growth is expected to rebound to 5.6% in 2012 and to 5.3% in 2013. There has been a similar recovery in trade performance, driven by demand pressures which have led to a reversal in the long declining trend of real commodity prices. Sub-Saharan Africa now exports as much to emerging markets as to its traditional trading partners, which partly shelter the continent from global economic slowdown;

(ii) But there continue to be significant challenges: growth prospects continue to depend significantly on a more volatile global economic and financial environment, which is likely to remain difficult in the near term. The business environment has improved but more needs to be done. Poor infrastructure remains a major constraint to attracting investment, increasing regional trade, and

improving social welfare. And climate change presents a major threat to achieving long-term sustainable growth;

(iii) Pointing to the key priorities for both Africa and its international partners including: to sustain global recovery and address issues which could put this at risk; to achieve successful outcomes in global negotiations on trade and climate change and the Rio+20 conference on Sustainable Development in June 2012; to accelerate regional integration; to continue to improve the environment for both domestic and foreign investment; and to accelerate action to overcome infrastructure constraints at both the national and regional levels.

Investing in people

(iv) The acceleration of growth since 2000 has contributed to some progress towards the MDGs: this varies by sub-region, country and goal, but the latest 2011 MDG Report confirms that it is still broadly moving in the right direction. According to the Global Monitoring Report 2012, the region has achieved more than 60 percent of the progress required to reach, by 2015, goals such as gender parity, primary completion, and stemming the HIV/AIDS pandemic; and access to safe water;

(v) But the pace is further behind for achieving the goals by 2015: in child and maternal mortality, and access to sanitation. There are major disparities by gender, income group and location in access to education and health services, and increased concerns on food security connected to multiple factors including more extreme weather conditions, regional instability and vulnerability to food price volatility;

(vi) Pointing again to key priorities: increasing public expenditure on social spending, including social protection of vulnerable populations; responding effectively to current food crises and tackling the multiple underlying causes of food insecurity; tackling the unequal opportunities due to gender, income and location biases; addressing issues of governance particularly in post conflict states where progress is lagging; and providing increased and more effective support from international partners.

Good governance

(vii) There have been positive developments including: a general improvement in the quality of elections, the successful reversal of unconstitutional changes of government, political change in North Africa and the achievement of independence in South Sudan. The African Charter on Democracy, Elections and Governance has now come into force, representing a major commitment to improving and monitoring governance in Africa. The AU and regional organisations have taken a strong lead in rejecting unconstitutional action and promoting a return to democratic government, with support from the international community;

(viii) However there are also problems: there are fresh risks of conflict and instability, resulting in some cases from regional spill-over effects; much still needs to be done to ensure that elections are universally free and fair, and to improve other indicators of political governance including checks and balances, tools of accountability, the rule of law, and civil liberties;

(ix) At a global level the engagement of the G-20 on development issues in 2010 deepened in 2011, alongside the continued engagement of the G-8, marking an important shift in the international development architecture. The commitments made by the G-20, whilst not specific to Africa, are profoundly important for its development;

(x) Pointing again to key priorities: the AU and regional organisations should continue to promote free and fair elections and broader improvements in political governance, and to maintain the 'zero-tolerance' approach to unconstitutional change, and to actions putting peace and stability at risk; the wider international community should support this and tackle the international dimension of better economic governance; the G-20 process should continue to be used to promote development in Africa.

Financing for development

(xi) Domestic revenue rebounded in 2011 to reach an all-time high: Domestic revenue is by far the major source of financing for development. It increased four-fold between 2002 and 2008 to US\$513 billion, fell sharply to US\$394 billion in 2009 with the bulk of the decline occurring in oil-exporters, and partly recovered to US\$469 billion in 2010, with a further recovery to reach an all-time high of US\$520 billion in 2011 (driven by strong revenue performance in sub-Saharan Africa). There has been a significant reduction in the

number of countries (now reduced to 8) collecting less than 15% of GDP in domestic public revenue. Issues of budgetary allocation and expenditure effectiveness, however, still need to be addressed;

(xii) Total net private inflows recovered to precrisis levels in sub-Saharan Africa in 2011 but declined further in North Africa in response to political events: The estimated 2011 total of US\$59 billion is around 90% of the record US\$65 billion in 2007. Remittances proved unexpectedly resilient in 2009 and rose again to over US\$39 billion in 2010 and to US\$41.6 billion in 2011, a three-fold increase over the decade. In addition to legal capital outflows, Africa has however also experienced large illicit outflows estimated to average US\$50 billion a year over the last decade though all figures must be treated with great caution;

(xiii) Official Development Assistance to Africa increased in 2011 but the 2005 commitments have still not been met: Progress towards 2015 targets needs to be accelerated and monitored. ODA to Africa is estimated to have risen to around US\$50 billion in 2011. This is still significantly below the 2010 target implied by commitments in 2005. ODA to Africa should rise to US\$81 billion in 2015 if 2005 commitments are met in full. Progress in delivering the Paris and Accra commitments on aid effectiveness has been slow – though where this has happened it has led to improved development results. Busan marked a key shift from aid effectiveness to wider development effectiveness;

(xiv) Some significant progress was made on climate finance at the last two UNFCCC COP meetings both in terms of finance and, more importantly for Africa, the strong support for REDD+. However efforts to rationalise and simplify funding to climate change and to improve on their reporting require concerted actions, and Africa's access to carbon finance, although improving, remains marginal;

(xv) Key priorities include: continued action by African governments to increase domestic revenue, improve its utilisation and attract both domestic and foreign investment; support from the wider international community in tackling the loss of tax revenues through offshore non-compliance and transfer pricing practices, and illicit financial flows; action by development partners to increase ODA to Africa over 2012-2015 in line with commitments made in relation to 2015, to deliver their Busan commitments on development effectiveness, and to accelerate development of innovative sources of finance including delivery of the fast-start and longer-term climate finance agreed in the Copenhagen Accord and the Cancun Agreements.



Topics

I: Sustainable Economic Growth

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

II: Investing in People

Education
Health
Food security
Promoting gender equality and women's empowerment

III: Good Governance

Political governance
Economic governance
Peace and security

IV: Financing for Development

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

Topic 1

TRADE & DIVERSIFICATION

Key commitments

Africa: African governments have consistently emphasised the importance of trade, with three broad, inter-related commitments: (a) to reduce supply-side constraints, improve competitiveness and foster comparative advantages in industrial production; (b) to take practical steps to reduce trade barriers and facilitate trade; and (c) to deepen regional integration. Recent commitments emphasise regional integration, modernising domestic and regional trading systems, removing obstacles to trans-border trade and rationalising Regional Economic Communities (RECs). In January 2012, African Heads of State and Government adopted a Decision and a Declaration to boost intra-African trade and fast-track the establishment of the Continental Free Trade Area (CFTA) by 2017 (see Box 2 in Appendices).

Development partners: Development partners have reiterated: (a) long standing commitments to bring the Doha Development Round to a balanced and ambitious conclusion in particular for Least Developed Countries (LDCs); (b) commitments on enhancing trade capacity and access to markets, including specific commitments in the G-20 Multi Year Action Plan on Development to at least maintain Aid for Trade (AfT) levels in 2011 above the 2006-08 annual average; (c) commitments to keep markets open, and to refrain from raising new trade barriers or imposing new export restrictions; and (d) support free trade areas in Africa and improve the efficiency of trade corridors. In Cannes the G-20 reaffirmed its commitments, as agreed in Toronto, to roll back any new protectionist measure that may have arisen during the global financial crisis.

What has been done to deliver on these commitments?

Africa: African governments and RECs are tackling supply-side and competitiveness problems, demonstrated by the high level of investments in infrastructure and productive capacity building (see also Topic 3). Average applied tariffs have fallen from 16.7% to 7.1% on sub-Saharan African imports between 2000 and 2009, through unilateral measures and implementation of regional integration protocols. COMESA, EAC and SADC

formally launched negotiations for the establishment of an integrated market of 26 countries in June 2011 at the second Tripartite Summit.

Development partners: There has been little progress on the Doha Round. There has been some progress on duty and quota free market access for LDCs, with several emerging economies introducing preferential schemes. At the end of 2011, WTO members adopted a waiver to enable developing and developed-country Members to provide preferential treatment to services and service suppliers of least-developed country Members. Commitments made in response to the financial crisis are positive, leading to an increase in Aid for Trade. Africa has become the largest AfT Recipient: commitments increased to US\$17.4 billion in 2010 versus an average of US\$11.3 billion in the five previous years, with economic infrastructure receiving the greatest support, followed by productive capacity.

While the overall level of trade barriers has not increased significantly, there is no indication that recourse to new trade restricting measures by the G-20 has diminished, nor indication that efforts have been made to remove existing restrictions. The number of restrictive measures introduced between May and September 2011 declined slightly to 108, down from 122 recorded during the preceding six months. Removal of previous restrictions, however, remains low such that the share of world trade concerned with new trade restrictions since the beginning of the financial crisis keeps rising, to over 2% at the end of 2011.

What results have been achieved?

Africa's trade performance improved significantly between 2000 and 2008. Its merchandise trade rose to US\$1.022 billion, and its share of world merchandise trade increased from 2.1% to 3.2%, though still only half its 1980 peak. Africa's share in trade of commercial services grew to US\$220 billion in 2008, 3% of world trade in commercial services.

With a steep fall in world trade in 2009, Africa's trade merchandise fell to US\$778 billion (-24%). African merchandise export volumes fell by 2.4% and imports by 7.9%. The loss in value was sharper, at 30.9% for exports and 19.5% for imports, reflecting a significant deterioration in African terms of trade.

Trade performance back on track but eurozone crisis a threat. More needed to tackle supply side constraints, reduce trade barriers, deepen intra-African trade and deliver Doha commitments.



During 2010 and 2011 Africa returned to its previous strong performance, with an estimated merchandise trade of US\$963 billion (+24%) in 2010 and US\$1,152 billion (+20%) in 2011. Growth was driven by the significant improvement in African terms of trade (+20% and +4% in 2010 and 2011 in sub-Saharan Africa) and the corresponding rise in fuel, agricultural and food commodity prices: the IMF Commodity Price Index, which includes both Fuel and Non-Fuel Price Indices, grew by 59% over the 2010-2011 period.

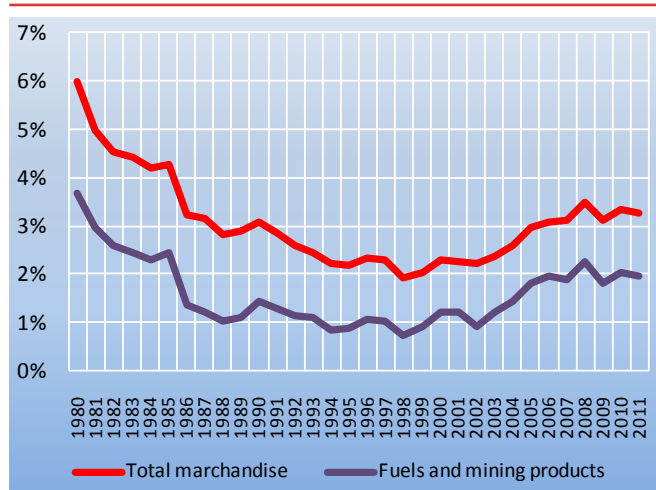
African trade of commercial services amounted to US\$227 billion (3.2% of world trade) in 2010 and to US\$234 billion (2.9% of world trade) in 2011. The impact of the global slowdown on Africa has to date been limited to a few countries in 2011. However it could become more significant in 2012.

African exports remain poorly diversified in structure. Eighty percent of Africa's exports are oil, minerals and agricultural commodities. In 2010, African export of manufactured goods accounted for less than

1% of global manufactured exports. Europe and North America continue to absorb most African exports, though the share to developing countries is increasing dramatically, from 34% to 47% between 2005 and 2010. China has gradually progressed from one of Africa's smallest trading partners in 2001 to one of the largest in 2010—second to the United States as Africa's largest export partner and the largest import partner.

Intra-regional trade remains low, constituting only about 10% of total African exports, on average, over the last decade. However, this is gradually increasing, with proportions rising to 12% of total African exports in 2010. Though this share is significantly lower than in Asia (53%) and South and Central America (26%), it reflects important progress in some RECs, such as COMESA and EAC, where intra-regional trade has been booming in recent years.

Share of African trade exports in total world trade (%)



Source: WTO and UNECA/OECD calculations

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 tariff and non-tariff barriers and further trade facilitation measures;
- Accelerate regional economic integration and finalise the tripartite FTA initiative by 2014 and the establishment of the CFTA by 2017.

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;
- Promote Aid for Trade as a driver for sustainable development to build productive capacities, help address market failures, strengthen access to capital markets and help the African private sector mitigate risks, in the perspective of the Busan Partnership for Effective Development Co-operation.

Topic 2

AGRICULTURE

Key commitments

Africa: African governments have committed to raise the share of their national budget allocated to agriculture to 10%, and through the Comprehensive Africa Agriculture Development Programme (CAADP) Framework have called for annual agricultural growth rates of 6%. They have committed to increase food and agricultural trade within Africa and harmonise fertiliser policies to reduce procurement costs. In 2009, the African Union (AU) acknowledged the CAADP as the overarching framework for agricultural development and investment.

Development partners: Development partners have made commitments to increase volumes and improve the quality of agricultural assistance. They have recognised the link between agricultural productivity and food security, and under the 2009 LAquila Food Security Initiative (AFSI) committed to mobilise US\$20 billion over three years for agricultural development and food security (see also Topic 9). The G-20 Multi-Year Action Plan on Development adopted at Seoul commissioned work on food price volatility and responsible agricultural investment. The Cannes G-20 Summit reaffirmed the importance to agriculture of a distortion-free, open and transparent trading system, and endorsed an Action Plan on Food Price Volatility and Increasing Agricultural Production and Productivity.

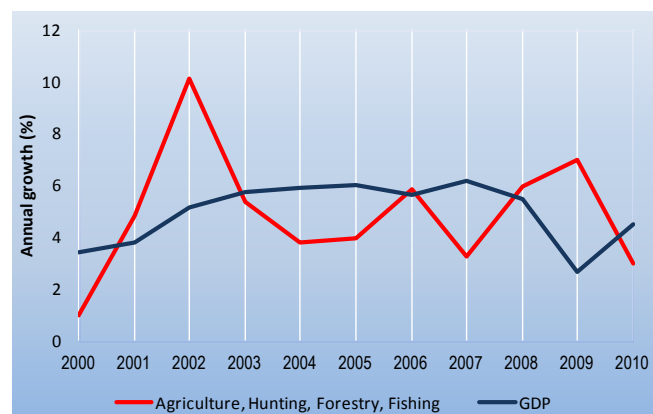
What has been done to deliver on these commitments?

Africa: Progress towards the 10% Maputo target has not been even and monitoring is hindered by poor data. Available data suggests that the declining trend in agricultural expenditure was partially reversed in Africa as a whole after 2003, recovering to 6.4% in 2003-2009, nearly the same as in 1990-95, but still well below the target. For sub-Saharan Africa (SSA) the share was higher but continued to decline, from over 14% in 1990-95 to 9% in 2003-2009. However this conceals considerable regional variation, with West and East Africa above the 10% target and other regions below. At national level only 8 countries met or surpassed the target between 2006 and 2008. However, regional policies to foster agricultural growth,

trade and food security have been established, linked to CAADP, and by April 2012 30 countries had signed CAADP Compacts, 23 had developed national investment plans and 3 had agreed financing plans and annual review mechanisms. ECOWAS and COMESA have moved to harmonise fertiliser regulatory frameworks and trade policy. Countries have made progress in reforming the legal and regulatory framework and eliminating tariffs and taxes (65% and 75% of countries did not have tariffs and taxes respectively on fertilisers in 2008). However Africa is under-investing in agricultural research and development: in 2008, SSA's regional average government budget allocation to public agricultural research was 0.61% of agricultural GDP, well below the NEPAD target of at least 1%.

Development partners: Agricultural assistance (including forestry and fisheries) to Africa increased by over 9% between 2009 and 2010, and has increased from 4% of total assistance to Africa in 2002 (US\$ 829 million) to 5.5% in 2010 (US\$ 3.001 billion), a real-terms increase of 242%. Around half of the final AFSI pledges of US\$ 22 billion had been disbursed by early 2012. The rest is on track to be delivered by the end of the AFSI period.

African annual GDP and agricultural GDP growth (%)



Source: UN National Accounts, 2012; ReSAAKS/IPPRI 2012

Some countries improving, but agricultural growth remains below 6% target and below economic growth. More needed on investment, resilience, policy reform and trade.



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Around US\$6 billion represents new funding (see Topic 9). Following the inter-agency report to the G-20 in mid-2011 on proposed Principles for Responsible Agricultural Investment, the Committee on World Food Security launched a process of regional consultations to achieve endorsement by 2012. Following the Cannes Summit, an inter-agency report on improving global sustainable agricultural productivity growth was prepared with recommendations which will be discussed by the G-20. There have been important changes in OECD country agricultural policies. Total levels of support provided to agriculture reached an average of US\$374 billion in 2008-10. The share provided in the most market distorting form (market price support plus inputs subsidies) has fallen from 90% to 59%. However, there is considerable scope for further reductions together with removal of more trade-distorting instruments.

What results have been achieved?

Growth: With the exception of two years, agricultural growth has been consistently slower than the economy overall for the past decade. Growth levels have remained significantly below the 6% target: 3.5% for Africa as a whole over 2003-2010, and 3.1% for SSA over the same period. Only eight countries met or exceeded the target. Average growth performance has improved little over this period: two regions witnessed an improvement of over 1% in growth rates, while two regions experienced actual declines.

Productivity: Production increases have been heavily dependent on expansion of cultivated land. African yields per hectare for cereals are among the lowest in the world; they rose marginally from 1.13t/ha in 1980 to 1.42t/ha in 2008, compared to over 5 t/ha in high income countries. Average fertiliser consumption in most African countries has remained between 5kg/ha and 10 kg/ha since 1990, less than 10% of the world average and well below the Abuja 50 kg/ha target. Only four countries exceeded this target in 2008.

Access to land and environmental sustainability: Land under cultivation increased from around 180 million ha in 1989-91 to 220 million ha in 2007, but this has not kept pace with population growth over the

period. Only 6% of arable land is irrigated and only 4 million ha have been brought under irrigation in the last 40 years (see also Topic 3). It has been estimated that as much as 70% of Africa's cultivable land is uncultivated. International investors are leasing or purchasing large areas of land for biofuels, food crops and forestry development - between 2007 and 2011 deals covering a total of over 45 million ha were recorded.

Trade and diversification: Although some countries have diversified into high added-value products, most trade is in bulk agricultural commodities. Africa's share of the global agricultural export market remains low and is concentrated in a small number of countries. SSA's share of global trade in agricultural products has fallen from 3.4% in 2000-2001 to 3.0% in 2006-7. SSA is the only developing country region that has not regained the market share lost since the 1980s.

What are the future priority actions?

(in addition to actions to address food security in Topic 9)

Africa

Accelerate CAADP implementation by:

- Increasing public investment, particularly in irrigation, rural infrastructure and research and development;
- Continuing policy and institutional reform, particularly to create a predictable policy framework that fosters responsible private investment, in particular in the leasing or purchasing of land by international investors;
- Accelerating efforts to improve agricultural productivity, with special attention to women and smallholders.

Development partners

- Intensify efforts to reduce trade-distorting subsidies, increase African producers' access to markets and reduce or remove barriers to trade at national, regional and global levels (see also Topic 1);
- Deliver existing AFSI commitments and make new commitments, backed by detailed plans, to deliver sustained assistance beyond 2012;
- Promote responsible investment in agriculture in line with recognised international principles, and with special attention to women and smallholders.

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

Africa: African governments have emphasised the importance of infrastructure and have made broadly similar commitments spanning four subsectors – energy, transport, water and ICT – to strengthen national planning frameworks, reform and harmonise the regulatory environment, mobilise increased private and public resources and develop regional and continental programmes. In January 2012, African leaders agreed to prioritise the programmes contained in the Priority Action Plan (PAP) of the Programme for Infrastructure Development in Africa (PIDA) and to promote regional projects (see Box 3). Targets include: (a) 35% of the population have access to electricity by 2020; (b) the proportion of people living beyond 2 km from an all-season road halved by 2015; (c) reducing the proportion of people without access to safe water and sanitation reduced by 75% by 2015, and (d) all African capitals and major cities' information networks interconnected by 2012.

Development partners: Development partners have undertaken to increase financial support and help mobilise private sector participation (see also Topic 4). They have made specific commitments to promote clean energy and energy efficiency. The Seoul Multi-Year Action Plan, reiterated in 2011 in Cannes, committed the G20 to overcome obstacles to investment, develop project pipelines, improve capacity and facilitate increased finance. The G-20 has called on the Multilateral Development Banks (MDBs) to prioritise implementation of the 5 projects in Africa identified by the High Level Panel on Infrastructure (HLP). The UN General Assembly declared 2012 the International Year of Sustainable Energy for All.

What has been done to deliver on these commitments?

Africa: National planning: most countries lack planning frameworks or long-term strategies, though the situation is significantly better for road transport and ICT. There are improvements in energy and in water and sanitation under the leadership of the African Ministers' Council on Water.

Regulatory reform: Regulatory agencies have been established but ca-

capacity remains weak. Most progress has been in telecommunications. Reforms are underway in the power sector to address electricity shortages and to promote renewable energy. In transport there are efforts to improve logistics competence and trade facilitation with a focus on land-locked countries.

Private sector: Participation varies enormously across sub-sectors: it is highest in mobile telephony, followed by transport, with the contracting of road maintenance and concessions in container terminals and railroads. In energy, state-owned utilities remain prevalent although the development of Public-Private Partnerships (PPPs) is increasing private participation in power generation and distribution. In water, management or lease contracts of national systems have been problematic but PPPs have become more common for small-piped schemes. Although improving, PPPs in Africa still account for a very small share of global public-private investment (PPI): in 2010, new PPP commitments in sub-Saharan Africa, mostly in telecommunications, accounted for less than 2% of the developing country total.

Regional initiatives: Cross-border initiatives have been launched in the energy sector through the creation of power pools in all sub-regions; in transport with transit corridors; in water with the sharing of transboundary resources; and in ICT with the development of broadband connectivity including through the PIDA (see Box in appendices).

Development partners: Development partners have significantly increased support for infrastructure, including through the Infrastructure Consortium for Africa (ICA). Cumulative funding commitments from all sources rose in 2010 to US\$56 billion with ICA members, China and the private sector contributing 52%, 16% and 25% respectively. Disbursements by ICA members are also growing, amounting to US\$9.7 billion in 2010, versus US\$9.4 in 2009. Only 8% of total commitments, however, were directed to support soft infrastructure (policy and administrative management, education and training, and research).

G-20 members are also supporting a number of MDB HLP recommendations, including the need to: (a) develop local and public-private capacities to improve supply and quality of infrastructure projects; (b) increase the quality of information available to investors; and (c) contribute to improve the access to funding.

Weak infrastructure remains major constraint to growth and achieving MDGs. Need to improve public-private partnerships and implement PIDA Priority Action Plan.



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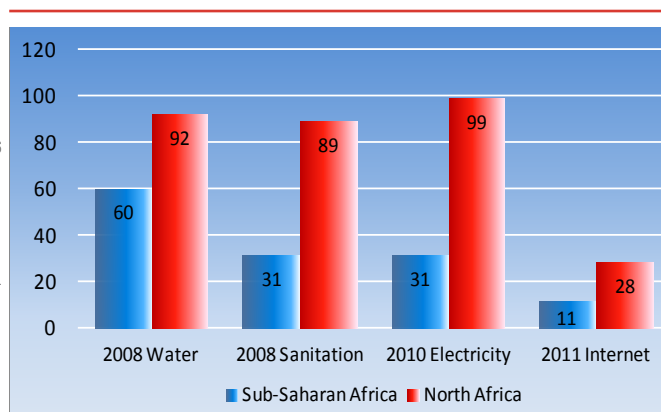
What results have been achieved?

Despite increased investment, progress has been slow (apart from ICT), and weak infrastructure remains a major constraint to growth and to achieving the MDGs. On several basic infrastructure indicators African countries trail their developing country peers, with the gap particularly noticeable in the density of paved roads, power generation capacity and coverage of the fund and lines. Access to energy, transport, water and ICT in rural areas is even lower.

Energy: In North Africa access to electricity is almost universal; in sub-Saharan Africa only 31% of the population had access in 2010, the lowest level in the world. The small-scale nature of most national power systems and extensive reliance on expensive oil-based generation makes the average cost of generating power in Africa exceptionally high (3.5 times that of South Asia). Thirty countries in sub-Saharan Africa have experienced energy crises in recent years.

Transport: The paved road access rate in sub-Saharan Africa amounts to only 19%, substantially lower than other regions. Only one-third of the

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



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

rural population is within 2 km of an all-season road, compared with two thirds in other developing regions. Transport costs are also much higher, compounded by high profit margins for trucking companies.

Water and sanitation: Half the African continent faces some sort of water stress or scarcity. Access to improved water in sub-Saharan Africa rose by less than 1% a year over 2000-08 to reach 60%. Progress on sanitation has been even slower, with only 31% of the population having access to improved sanitation facilities by 2008 (see also Topic 8). The absence of water storage and irrigation infrastructure has led to severe under-utilisation of the continent's resources. Similarly, only 7% of sub-Saharan Africa's hydropower potential has been tapped.

ICT: Mobile telephony has been a success and has adapted to local needs (e.g. supporting mobile money transfers). Subscribers have grown from 16 million in 2000 to 390 million in 2009. Internet penetration lags behind, despite considerable progress: the number of internet users is estimated to have grown from 3.6 to 9.6 per hundred from 2007 to 2010 and represented 6.2% of global users at the end of 2011.

What are the future priority actions?

Africa

- Move rapidly to implement PIDA Priority Action Plan (PAP);
- Continue efforts to improve efficiency of existing infrastructure, reduce costs, and promote private sector participation;
- Accelerate implementation of regional initiatives, and harmonisation of regulatory frameworks.

Development partners

- Maintain increased financial support, including through the ICA platform;
- Implement the recommendations of the G-20 HLP and the MDB action plan in line with PIDA;
- Use aid to leverage increased private investment, by supporting the enabling environment for investment and developing non-ODA instruments, such as export credits and investment funds.

Topic 4

THE PRIVATE SECTOR

Key commitments

Africa: African governments have made policy declarations and statements to improve the environment for business, although few specific targets have been set. Private sector growth was identified as a priority in the 2001 NEPAD founding statement in 2001 and reiterated in 2010 in the AU “African Private Sector Forum Declaration”. These declarations have encouraged private financial flows and partnerships among governments, the private sector and civil society, and approved codes and standards for achieving good economic and corporate governance. Successive commitments have sought to create suitable conditions to develop the private sector, and to promote public-private partnerships (PPPs), notably in transport and energy infrastructure (see also Topic 3).

Development partners: Development partners have made commitments to: (a) support African efforts to remove the obstacles to investment and reduce the cost of doing business; (b) help mitigate risks faced by investors; (c) improve synergies between ODA and other sources of development finance and promote PPPs; and (d) to promote responsible investment. The G-20 identified private investment and job creation as a key pillar of the Seoul Multi-Year Action Plan on Development, commissioned work on maximising the value added of private investment, promoting responsible investment, and supporting SMEs and have committed to continue this in 2012. The G-8 and Africa called on companies to improve their corporate and social responsibility at the 2011 Deauville summit.

What has been done to deliver on these commitments?

Africa: Starting from a low base, Africa has continued to improve its regulatory environment. The pace of reform is increasing: according to the World Bank’s 2012 Doing Business Report, a record 36 of 46 sub-Saharan African governments (78%) improved the regulatory environment for business in 2010/11, compared to an average of 56% in the six previous years. Only Eastern Europe and Central Asia had a

higher proportion of countries implementing new regulations. Twelve of the 30 countries implementing regulatory reforms making it easier to do business in 3 or more of the 10 monitored indicators in 2010/2011 were African. Four countries in sub-Saharan Africa are among the top 10 reformers over the last 5 years.

Reforms have particularly focused on making it easier to start a business and improving trade across borders. Several countries have revised their labour codes, making it easier to employ workers. Reforms in commercial laws and property rights vary considerably, with institutional weaknesses more evident and acute in countries with Civil Code traditions. Sub-Saharan Africa still falls short, however, in a number of regulatory reforms, such as dealing with licenses and protecting investors.

The African Development Bank (AfDB) has supported reforms encouraging strategic investments in private-sector projects and PPPs for infrastructure development. Between 2008 and 2010, 18 African countries received AfDB support to improve the legal and regulatory environment for business.

Development partners: Preliminary indicators have been developed by international organisations to measure economic value-added and job creation and will be field tested in 2012. Continued efforts were made to promote responsible investment through the revision and strengthening of the OECD Guidelines on Multinational Enterprises. Other relevant initiatives include the NEPAD/OECD Africa Investment Initiative and the OECD Policy Framework for Investment. Development assistance for business support, banking and finance fell in 2010 from over US\$2 billion to US\$1.3 billion. However IFC’s investments in sub-Saharan Africa exceeded \$2 billion in 2011 for the second year running, supporting private sector growth in 31 countries. This volume includes credit and risk guarantee mechanisms to promote domestic and foreign direct investments. The World Bank, UNECA and the Public-Private Infrastructure Advisory Fund have also undertaken a number of PPP capacity-building initiatives.

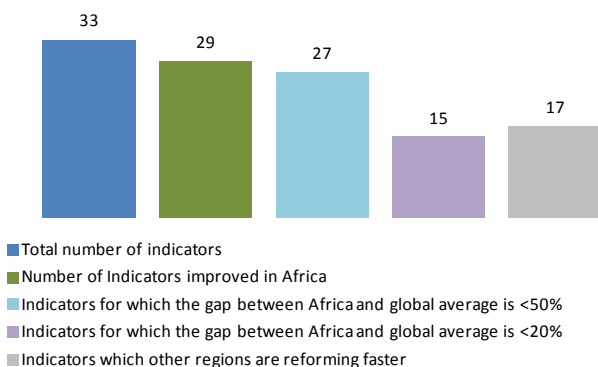
Continued improvements in business environment, but more needed to reduce costs of doing business, promote responsible and value-adding investment and improve access to finance, especially for SMEs.



© World Bank/Eric Miller

Doing Business Report: Africa's performance 2005-2010

Source: World Bank, Doing Business, 2012



What results have been achieved?

Continued reforms, combined with political and macroeconomic stability and sustained growth have improved Africa's business environment. Of 33 sub-indicators defined by the World Bank to measure the ease of doing business, 29 improved in Africa between 2005 and 2010; for 15 indicators the gap between sub-Saharan African results and global averages was less than 20%. For some sub-indicators, such as the average times needed to obtain a construction permit, pay taxes and enforce contracts, sub-Saharan Africa reached performance levels comparable to most other regions. Reforms have helped bring about significant increases in domestic and foreign direct investment (see Topic 15) contributing to overall economic growth.

But there is still need to improve the business environment, to maximise the economic value-added of private investment and diversify African industries (see Topic 1). Only 9 African countries are among the World Bank's top 100 doing business rankings. African countries are not improving their business environment relative to their competitors. For 17 out of 33 sub-indicators rates of reform continue to be outpaced by other regions.

Within Africa there is still a wide degree of variation, between sub-regions, between countries within sub-regions, and between specific indica-

tors within countries. Harmonising around best practice within sub-regions would dramatically lift the overall standard of the business environment, as well as contribute to regional integration (see Box 4 in appendices).

Business funding is improving through new licensed private credit bureaux, a wider range of assets used as collateral and a strengthened legal framework for secured transactions. However, the banking industry is still very concentrated, financing costs remain high and access to credit is a primary inhibitor to doing business in Africa. Small and Medium Enterprises (SMEs), which account for up to 90% of all businesses in sub-Saharan markets, are particularly vulnerable to restrictions on credit access.

Capital markets have grown from 8 to 22 stock exchanges between 2002 and 2011, and market capitalisation of the 5 leading stock exchanges tripled between 2005 and 2010. Yet the small size and lack of liquidity of these markets remains a problem and investor protection, including corporate disclosure and legal protection, is weak. More generally, African financial systems often suffer from insufficient collateral and credit information systems and have inadequate supervisory capacity and prudential approaches.

What are the future priority actions?

Africa

- Accelerate improvements in the business environment by harmonising around best business practice;
- Accelerate improvements in access to finance, particularly for small-sized firms and informal businesses;
- Promote private sector participation and partnerships in strategic sectors such as energy and transport and public services, particularly through effective implementation of PPPs (see also Topic 3).

Development partners

- Take forward work to measure the economic value-added and job creation generated by private investment;
- Increase support for lower-level capacity building to tackle constraints to financial, human and technological development;
- Support efforts to improve access to finance, particularly for SMEs.

Topic 5

ENVIRONMENTAL SUSTAINABILITY

Key commitments

Africa: African countries have committed to integrate sustainability into development planning since the 1992 Rio Conference and continue to recognise the opportunities from transitioning to a green economy. They have ratified the three Rio Conventions: the Convention on Biological Diversity (CBD), the Convention to Combat Desertification (UNCCD), and the UN Framework Conference on Climate Change (UNFCCC), components of which have also been adopted in AU conventions. In a 2011 consensus statement on Rio+20, African countries committed to enhance efforts to improve national environment governance and strengthen partnerships with non-traditional actors and the private sector.

Development partners: Partners have ratified these multilateral agreements and have committed to support African efforts to achieve sustainable development based on concrete actions for the implementation of Agenda 21. They agreed to significantly reduce the rate of biodiversity loss by 2010 (MDG7), and have committed to promote sustainable forest management and tackle illegal activities such as logging and illicit trade in wildlife. The forthcoming Rio+20 Summit will generate commitments on: (a) a green economy in the context of sustainable development and poverty eradication; and (b) the institutional framework for sustainable development.

What has been done to deliver on these commitments?

See Topic 6 for UNFCCC implementation and progress

Africa: African governments have developed and commenced national strategies incorporating economic, social, environmental and institutional dimensions of sustainable development. While some initiatives have moved to action, implementation is generally weak and effectiveness has been limited. Inadequate institutional capacity, poor data and weak priority setting are key constraints, compounded by limited political voice and budgetary resources of Environment Ministries.

CBD: 51 African countries have completed national biodiversity strategies and action plans (NBSAP). Of these five have revised their plans and five are under

revision. Two-thirds of African countries are developing or implementing national forest programmes. Regional partnerships and programmes to promote sustainable forestry management have been established. Almost 17% of Africa's forests have management plans and more than 1% of all of forest estates (74,000 km²) has been given FSC certification.

UNCCD: Nearly 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 and a Regional Action Programme (RAP) has been developed with support from the African Development Bank. The Great Green Wall for the Sahara and the Sahel Initiative - a priority action of the African Union-European Union Partnership on Climate Change to catalyse sustainable development and poverty reduction in desert margins north and south of the Sahara - is now being implemented by one African country.

Development partners: The Global Environment Facility (GEF) has supported over 872 projects in Africa worth US\$2.3 billion since 1991. In its fifth replenishment (2010), the GEF adopted a funding mechanism for sustainable forest management. In 2011, 70 projects were implemented in 44 African countries with US\$999 million country investments (of which US\$261 million GEF grants). The TerrAfrica Initiative, an international partnership launched in 2005, has leveraged US\$1 billion to scale up sustainable land and water management in over 25 African countries working with NEPAD in the framework of CAADP. 15 African countries are receiving technical assistance to implement Reducing Emissions from Deforestation and Forest Degradation (REDD+), a UNFCCC mechanism designed as an incentive for sustainable management of forests, while contributing to climate mitigation by creating a financial value for the carbon stored in standing trees. The Congo Basin Forest Fund has approved funding for over 40 projects in five Central African countries, with several aimed at building readiness for REDD+ in the Congo Basin.

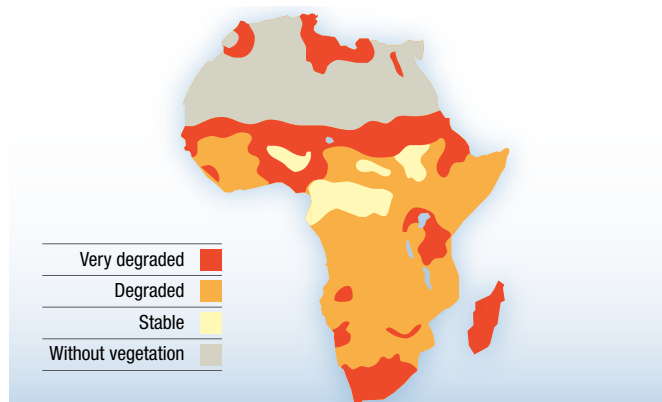
Jointly: At the Conference of the Parties of the CBD, world governments established the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization and adopted more clearly defined biodiversity targets.

Plans in place but implementation limited, resulting in continued deforestation, loss of biodiversity and land degradation.



© World Bank/Curt Cammermark

Soil degradation in Africa



Source: Philippe Rekacewicz, UNEP/GRID - Arendal;

What results have been achieved?

Weak or ineffective environment policies and poor implementation have rendered environmental performance a serious concern in Africa. 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 assessing performance against established environmental policy goals. In terms of trends, nine African countries are among moderate to strong performers while 11 are among the declining to worst performers.

CBD: MDG7 was not met in Africa at the end of 2010, though it has helped stimulate action to safeguard biodiversity. 23 African countries have, however, reached a target of having at least 10% of their territorial and marine areas protected, compared to 19 countries in 1990.

Bio-diversity information remains patchy. Africa has the highest risk of extinction of medicinal plants (over 50%) with concomitant risks for health and livelihoods. Species diversity is also declining: the Afrotropical Living Planet Index, which monitors changes in the population of vertebrate species across most of the continent, declined by 18% between 1970 and 2007.

Although Africa continues to experience deforestation, forest losses have slowed between 1990 and 2010, particularly in North Africa. Africa's total area of planted forests grew from 11.6 to 15.3 million hectares between 1990 and 2010, with the largest area in North Africa. About 14% of the total forest area in Africa is designated for biodiversity conservation and is growing at 0.7% per annum. However, there has been an overall decline in primary forest area - area showing no visible indications of human activity - with a drop by 6% over the last five years. As a result, Africa has the lowest share of primary forest of all continents.

UNCCD: 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. Soil erosion from overgrazing, unsustainable agricultural practices and illegal timber logging, aggravated by climate change, play a major role in overall land degradation, which affects almost two-thirds of the African population.

What are the future priority actions?

Africa

- National governments, with the support of the RECs, to better integrate environmental policies and programmes into national development plans;
- Accelerate their implementation, taking into account the food security and energy crisis that severely hit African economies;
- Facilitate policy coordination between local, national and regional decision-making levels to foster environmental policies.

Development partners

- Strengthen the priority given to environmental concerns in development assistance policies and programmes in Africa;
- Increase support for the implementation of green growth policies in Africa;
- Put an international investment strategy in place to facilitate the transition towards a green economy following the Rio+20 Summit, as requested by African countries;
- 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 posed by climate change, Africa's leaders have taken several decisions and resolutions urging states and Regional Economic Communities (RECs) to integrate climate change adaptation at national and regional levels. AMCEN recently called upon African governments and the RECs to expedite the implementation of existing programmes and initiatives on climate change. Furthermore, the African Union recently called on member countries to strengthen the institutional framework for sustainable development and climate change needs.

Development partners: Under the Kyoto Protocol, a number of developed and transition economies committed to collectively reduce greenhouse gas (GHG) emissions by at least 5% below 1990 levels in the first commitment period (2008 to 2012). National climate policy frameworks are emerging in developed countries, some of which establish legally binding, economy-wide emission constraints and/or long-term emission goals.

Jointly: As part of the Copenhagen Accord in 2009, 42 developed countries and 36 developing and emerging countries have pledged mitigation actions which were subsequently made part of the Cancun Agreements. At Durban, all countries agreed to launch a process to develop an agreed outcome towards a global goal – to be adopted by 2015 at the latest – for a substantial reduction in global emissions by 2050 with legal force under the Convention applicable to all Parties. In the meantime, the EU and 11 other countries have agreed on a second commitment period to the Kyoto Protocol. However, the public refusal of some key developed countries to join, together with the lack of an aggregate global mitigation target and of a clear commitment period has weakened the protocol.

What has been done to deliver on these commitments?

Africa: Africa has developed a common negotiating position on climate change. Regional frameworks of climate change programmes have been completed for all five sub-regions. 31 African least-developed countries have developed National Adaptation Programs of Action (NAPAs) focused on ur-

gent and immediate adaptation needs; 15 have received approval for funding. Nineteen African countries have submitted Nationally Appropriate Mitigation Actions (NAMAs). At the regional level, the ClimDev Africa Programme -- a joint initiative of the AUC, UNECA and the AfDB -- and its Secretariat, the African Climate Policy Centre (ACPC) have helped to improve decision making through analytical capacity, knowledge management and dissemination activities. The majority of African countries have either eliminated or significantly reduced fossil fuel consumption subsidies thereby shifting support for climate mitigation actions.

Development partners: In aggregate, developed countries reduced emissions by 11.5% between 1990 and 2009. Cuts have been driven primarily by significant reductions in transition economies and to a lesser extent among the original 15 members of the European Union while emissions from other industrialised countries have risen in aggregate, some significantly. More recent trends appear much less promising. According to the International Energy Agency (IEA), after a dip in 2009 caused by the global financial crisis, global primary energy demand rebounded by a remarkable 5% in 2010. Moreover, new infrastructure continues to rely on fossil fuels and inefficient buildings which will lead to an energy demand "lock-in" effect.

Jointly: According to UNEP estimates, pledges to reduce emissions by industrialised countries and voluntary plans of action by developing and emerging countries made to date will, under the 'best' scenario, cut total emissions by 16%. This is substantially lower than the 25-40% reductions below 1990 levels in 2020 required by developing countries, as recommended by scientific evidence to achieve an emission pathway consistent with the 2°C goal.

At Durban, parties to the UNFCCC agreed to launch, in 2012, the Technology Mechanism to assist developing countries build capacity and gain access to climate friendly technologies and the Adaptation Committee to promote adaptation activities on a broader scale. Other measures include: a) setting up a registry of developing country mitigation plans (NAMAs) in 2012; b) improved rules on approaches and incentives relating to the reduction of emissions from deforestation and forest degradation (REDD+); and c) some technical progress on Measurement, Reporting and Verification (MRV) which is considered key to enhance transparency and accountability.

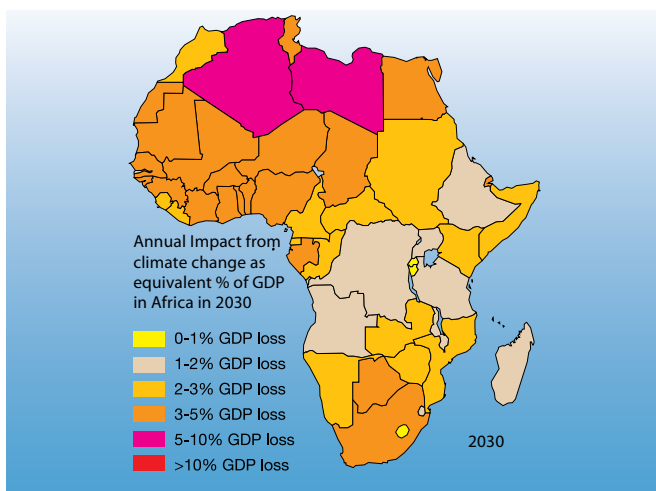
Important steps taken in Durban to help developing nations protect themselves from climate impacts. More ambitious mitigation efforts by developed countries needed and implementation expedited.



What results have been achieved?

Recent data from the World Meteorological Organization (WMO) showed that the amount of GHG in the atmosphere reached 389 parts per million in 2010, a new record. Furthermore, the growth of the buildup is accelerating. Recent projections confirm that Africa will be disproportionately affected by climate change because of overreliance on climate-sensitive sectors and weak adaptive capacity. According to the WMO, temperatures for the 2001–2010 decade in Africa averaged 0.85°C above normal. The Intergovernmental Panel on Climate Change (IPCC) has stated that by 2020, between 75 and 250 million people in Africa will be exposed to increased water stress, yields from rain-fed agriculture could be reduced by up to 50% in some regions and agricultural production, including access to food, may be severely compromised.

High potential costs for most of Africa, higher than for other world regions



Source: AdaptCost/East Africa study based on FUND national model

While impacts are increasing in severity, mainstreaming climate adaptation efforts in Africa have begun. At the country level, 16 countries, assisted by development partners, are building capacity to integrate climate change into development planning. 30 countries have prepared Technology Needs Assessments (TNAs). Learning forums to share knowledge and good practices, such as the African Adaptation Programme and AfricaAdapt, have been established. Challenges remain. Inadequate availability of resources and weak capacity continue to impede implementation. Less than 10% of projects covered under NAPAs have received funding. Regional frameworks of climate change programmes will need more work before they can effectively be implemented. At the global level, while the Durban outcome is a step forward in establishing an international agreement beyond the Kyoto Protocol — one with mitigation commitments from all major emitters, including developed countries and several major developing countries — the new treaty is only expected to be agreed in 2015 and will require ratification by governments before going into force. It took several years to ratify the Kyoto Protocol.

What are the future priority actions?

Africa

- Improve the information base and capacity of countries and RECs to better incorporate climate adaptation into decision making;
- Build appropriate incentives for all actors in the economy, and particularly the private sector, to internalise climate change in their decisions;
- Improve regulatory frameworks to attract low carbon/climate resilient investments.

Development partners

- Substantially increase the ambitions of emission reductions to keep global temperature change limited to 2°C;
- Implement mitigation actions pledged under the Copenhagen Accord;
- Identify practical ways to support African countries in their efforts to reduce vulnerability to climate change.

Topic 7

EDUCATION

Key commitments

Africa: The African Union has acknowledged 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 developing costed plans to achieve EFA goals, supported by the Fast Track Initiative (FTI) – renamed the Global Partnership for Education (GPE) in 2011. 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 a more holistic approach to education including gender, teacher development, tertiary and vocational education.

Development partners: Development partners have made commitments to support the MDG goals of universal primary education and of gender equality in education (see also Topic 10), as well as the EFA Framework for Action. G-8 summits have reiterated commitments to the EFA and members have pledged to meet resource shortfalls, most recently at the Fourth High Level Forum on Aid Effectiveness in Busan, where partners also committed to coordinate funding and align to national plans. Development partners have also committed to create an International Task Force “Teachers for EFA” to counteract limited supply of qualified teachers in low-income countries. Recent summits have reiterated the fundamental links between education, labour markets and development, highlighting quality of educational outputs, equitable access and aligning educational policies to labour market demand.

What has been done to deliver on these commitments?

Africa: Domestic resources across the majority of sub-Saharan African countries have been scaled-up, notwithstanding the food, fuel and financial crises. Public spending in primary education, while varying across countries, averaged 4.6% of GDP in sub-Saharan Africa in 2009. While below the 7-9% spending targets set in EFA, expenditure as proportion of government budgets are among the highest in the

world. Primary education accounts for almost half of government education expenditures. In 2011, the African Union (AU) launched the Pan African University in line with its commitment to strengthen tertiary education. Twenty-six African countries have had their national education plans endorsed by FTI, 2 more than in June 2010.

Development partners: Official development assistance (ODA) to education to sub-Saharan Africa, the region with the largest EFA financing gap, fell in 2010 in real terms by 20% to US\$3.1 billion. Volumes to basic education specifically fell by similar margins, accounting for 29% of education assistance to the region. Current volumes remain incompatible with donors’ pledges that no government committed to achieving Education for All by 2015 should falter due to lack of resources.

What results have been achieved?

Net primary enrolment in Africa has increased by 20 percentage points over the decade, reaching 84% in 2009. Despite increasing populations of school-aged children, absolute numbers of out-of-school children fell from 42 million to 29 million between 2000 and 2009. Out of 35 African countries, 17 had achieved net enrolment ratios over 90% by 2009, with seven reaching the 2015 target of 95%.

Completion rates have not kept pace and the regional average remains less than 70%. Late entry for primary school students remains a challenge, exacerbating non-completion of primary school cycles. **Inequities** still constrain progress to completion and higher enrolment, particularly for refugees, rural populations, girls and low income groups. Girls in the poorest 20% of households are 3.5 times more likely to be out of school than girls in the highest income groups and four times more than boys in the higher income groups.

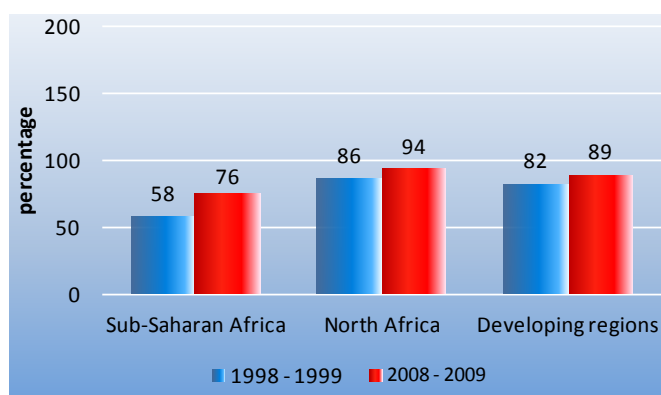
Gender parity in primary education is, however, improving. 16 countries had already reached parity by 2009 and targets are likely to be achieved by most countries (see also Topic 10). In sub-Saharan Africa 92 girls, and in North Africa, 95 girls were enrolled for every 100 boys in 2009, advancing progress towards the gender parity target of 97-103 girls per 100 boys.

Significant progress in primary enrolment. More needed to improve quality and equity of access, and increase investment at post-primary levels to meet labour market needs.



© Steven Chiu

Adjusted net enrolment rate (1999 to 2009)



Source: United Nations Statistical Database, 2011

Results beyond primary education are more modest. While secondary enrolment rates have increased from 24% to 34% over 2000-09, they remain almost half that of the global average. Similarly, tertiary enrolment is low and near static, increasing from 5% to 6% over 2006-09.

Despite dramatic improvements in some areas, considerable challenges remain. Of the 20 countries with the lowest **net enrolment ratios** 13 are in sub-Saharan Africa. **Qualified teacher numbers** remain below requirement, with the pupil-teacher ratios averaging 1:45 at primary school. Rural ratios are even higher due to poor teacher deployment in many countries. On current trends, the target of universal primary education by 2015 will be missed by Africa as a whole.

Further, despite improvements in enrolment and completion rates, there is increased concern that the **quality of education** received is falling short of that needed to provide basic literacy and numeracy skills for primary children, nor preparing older youths sufficiently for the labour market. Sub-Saharan Africa remains the region with the lowest **youth literacy** rate in the world, at 71% in 2009 (66% for women and 76% for men).

What are the future priority actions?

Africa

- Maintain and scale-up progress in primary education including through increased budgetary allocations to ensure equity in access for vulnerable groups - including low income groups, rural populations, girls, refugee children and illiterate adults through increased targeting;
- Prioritise quality in primary education to provide better access to post-primary education and enhance employability of primary school leavers;
- Increase investment in post-primary education to address both the quantity and quality of teaching and align education with skills development appropriate for the needs of the labour market.

Development partners

- Scale up financial assistance in line with Africa's needs with increased attention to African priorities;
- Support African efforts to improve the quality of education at all levels through the production of qualified teachers for primary and post-primary education;
- Support comprehensive reform of the EFA 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. In 2001, and reiterated subsequently, AU member States signed the Abuja Declaration, pledging to allocate at least 15% of government expenditure to health.

They have committed to a target of universal health care access, including sexual and reproductive health services and. They have committed to accelerate interventions towards universal access to HIV and AIDS prevention, treatment, care and support by 2010, together with action tackling tuberculosis and malaria. These commitments were subsequently reviewed, resulting in calls for their extension to 2015.

In 2008, African Ministers of Health adopted the Ouagadougou Declaration on Primary Health Care. Increased resources for maternal, infant and child health, in addition to HIV/AIDS were called for in 2010. In 2011, the first Africa Regional Ministerial Consultation on non-communicable diseases (NCDs) committed to develop national NCD action plans and strengthen institutional capacities for NCD prevention and control. The African Regional Measles Technical Advisory Group (TAG) proposed a pre-elimination goal of reducing measles mortality by 98% by 2012.

A number of African governments have also committed to global initiatives, including the 2010 UN Secretary General's 'Global Strategy for Women's and Children's Health', the 2011 UN Political Declaration on HIV/AIDS, and the 2011 UN High-Level Meeting on the Prevention and Control of Non-communicable Diseases.

Development partners: Development partners have sought to support Africa's investment in health. G-8 summits in particular have identified health as a priority, pledging an additional US\$60 billion over 2006-11 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. 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 pledged US\$5 billion to address maternal mortality over 2010-15. The 2011 UN General Assembly Political Declaration on HIV/AIDS set a series of clear target outcomes on HIV/AIDS transmission, related deaths and access to treatment by 2015. Member States also committed to making at least US\$22-24 billion available for the global HIV response annually by 2015.

What has been done to deliver on these commitments?

Africa: Almost all African countries have developed national health plans or strategies and established or strengthened national coordinating bodies for HIV/AIDS, tuberculosis and malaria. To accelerate implementation of the Ouagadougou Declaration 13 countries have revised their national health policies while 14 others updated their national health strategic plans.

Progress towards meeting the 15% Abuja budget target, however, has been mixed. At the end of 2009, six African countries had reached the target, with just over half of all African countries reporting (26 out of 50), allocating 9% or more of their national budgets for health.

In 2010, 38 African governments distributed insecticide treated mosquito nets (ITNs) free of charge and by early 2011 23 countries had adopted policies to provide ITNs to all persons at risk with 289 million ITNs distributed. Four African countries carried out synchronised supplementary immunisation activities (SIAs) for polio eradication, reaching over 114 million children aged below five years in 2010.

Development partners: DAC Official Development Assistance (ODA) commitments to health in Africa have increased each year from US\$1.5 billion in 2004 to US\$4.6 billion in 2009, before falling to US\$4.1 billion in 2010. The bulk of existing funding has been directed towards infectious diseases, including HIV/AIDS. By contrast, assistance for health systems has remained unchanged for the last decade. Despite donor efforts to strengthen country ownership, use common arrangements, and promote dialogue, ODA in the health sector remains fragmented.

Progress continues, in a number of areas, but increased financing and international coordination required, and more emphasis needed on health worker shortages.



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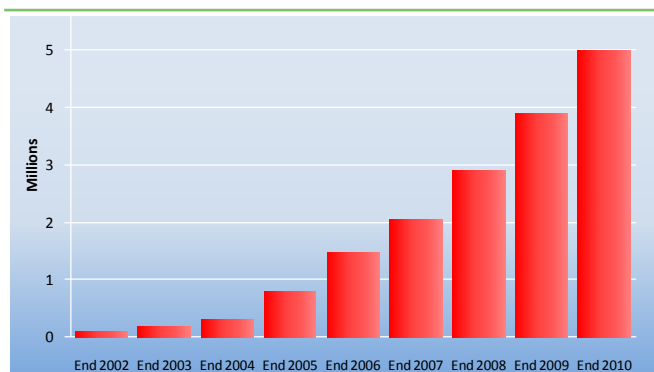
Since its 2002 inception, the Global Fund for AIDS, Tuberculosis and Malaria (GFATM) has been fully funded. In 2010, donors pledged the largest amount to date: US\$11.7 billion for 2011-2013. Disbursements, however, did not follow, prompting GFATM to cancel its 11th round of funding. The Fund is currently developing a new funding model consistent with its 2012-16 Strategy.

Donors have also supported other innovative financing mechanisms, including the Advance Market Commitment pilot, the International Financing Facility for Immunisation (IFFIm) and a number of international initiatives to tackle diseases such as malaria and polio.

What results have been achieved?

Starting from a low baseline progress has been made, but challenges remain. Since 2001 **HIV/AIDS** infection rates have fallen 20% (albeit faster in some regions than others), with mother-to-child transmission rates falling by 30%. However, with an average 4.8% adult prevalence rate in 2010, sub-Saharan Africa remains the region most heavily af-

Number of people receiving antiretroviral therapy in sub-Saharan Africa, 2002-2010



Source: Global HIV/AIDS response Epidemic update and health sector progress towards Universal Access Progress Report 2011

fect. Treatment coverage has improved; 37% of those in sub-Saharan Africa who need it had access to antiretroviral therapy in 2009.

Tuberculosis prevalence declined slightly from 342 to 332 per 100,000 between 2008 and 2010. Eleven countries have seen **malaria** cases fall by more than 50% since 2000, with malaria deaths falling by a third since 2001. Immunisation of one year-olds against **measles** in Africa increased from 56% in 2000 to 76% in 2010.

Under-five mortality rates declined from 172 to 119 per 1,000 live births from 1990 to 2010, with the rate of reduction doubling over the period. Yet half of all under-five deaths are in sub-Saharan Africa. **Maternal mortality** on the continent, with a 2009 ratio of 620 per 100 000 live births, remains the highest in the world, and is particularly poor in sub-Saharan Africa. **Availability of health personnel** remains low. With 27% 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.

What are the future priority actions?

Africa

- Increase overall health financing to meet Abuja commitments, including domestic resource mobilisation;
- Strengthen national health systems and coverage, particularly through primary health care, aligned with education, water and sanitation initiatives;
- Strengthen institutional capacity within health ministries and build skilled workforce capacity through improved training, incentives and resources.

Development partners

- Support African commitments to reach the new targets set out in the 2011 UN Political Declaration on HIV/AIDS;
- 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

FOOD SECURITY

Key commitments

Africa: African leaders have given increased priority to food security, setting an objective of reducing by half the number of undernourished people in Africa by 2015 and eradicating hunger and malnutrition. They have committed to supporting agricultural development (see Topic 2) and made specific commitments at AU Summits to:

- strengthen information and early warning systems;
- support national and regional initiatives to establish emergency food reserves;
- invest in appropriate safety net systems, in countries vulnerable to food insecurity;
- step up efforts to integrate food safety into food and nutrition security.

Development partners: have similarly prioritised food security and committed to supporting agricultural development (see Topic 2). In 2009 the G-8 launched the L'Aquila Food Security Initiative (AFSI), to mobilise US\$20 billion over 3 years in support of agriculture and food security.

The November 2011 G-20 Summit endorsed an Action Plan on food security and price volatility, prioritising: strengthening long term productivity, resilience and sustainability; launching a global Agricultural Market Information System (AMIS) to increase the transparency of market information and anticipate the effect of market risks; developing tools to mitigate risks and cope with the consequences of price volatility; and improving the functioning and transparency of agricultural financial markets, plus the exemption of food purchased for humanitarian purposes by the World Food Program from export restrictions or extraordinary taxes. Food security issues will also be discussed at the May 2012 G-8 Summit.

What has been done to deliver on these commitments?

Africa: Some countries possess national food security stocks or strategic grain reserves, food, cash or employment-based safety nets, and early warning systems. The AU has developed a draft long-term strategy to address food and nutrition crises, putting CAADP at the centre of

achieving long term food security. It has also established a roadmap to integrate risk management into CAADP national and regional investment plans. The AU is developing, in conjunction with the World Food Programme (WFP) the pan-African Risk Capacity Project to cope with extreme weather conditions. At the regional level, ECOWAS and its member countries have developed a pilot project for a regional emergency humanitarian food reserve system to complement existing national food reserves. ECOWAS has defined principles to guide the regional reserves. In response to the crisis in the Horn of Africa the AU 'pledging conference' in August 2011 mobilised US\$380 million in cash and kind.

Development partners: Total AFSI pledges amounted to over US\$22 billion, of which US\$6 billion represented new funding. Half had been disbursed by early 2012, with the remainder set to be delivered within the AFSI period (see also Topic 2). The World Bank's Global Food Crisis Response Program (GFRP), launched in 2008, has been extended to address continuing high and volatile global food prices: by September 2011, the GFRP had disbursed US\$1,186 million - 79% of its approved funding. 17 of the 27 beneficiary countries are in Africa. Development partners delivered 82% (US\$2 billion) of the US\$2.4 billion 2011 UN humanitarian appeal for the Horn of Africa and as of April 2012 had met 20% of the higher US\$2.78 billion appeal for 2012. Development partners have also provided technical and financial support for the development and management of emergency food reserves as well as early warning systems. Government support policies for biofuels policies are, however, diverting agricultural supplies from food to energy uses, and add to price volatility.

What results have been achieved?

Africa has remained a net importer of food and countries dependent on imports of major food staples have been vulnerable to global food price hikes and volatility. Increasing climate variability (see Topic 6) is exacerbating national food insecurity and countries experiencing combined shocks of drought and high prices in 2011 have been hit particularly hard. Child malnutrition levels exceed 40% in 19 African countries, and malnutrition rates

Food prices remain high and food crises exist in Horn and Sahel. Need to scale up regional co-ordination on early warning, emergency food reserves and safety nets, and address wider underlying causes of food insecurity.

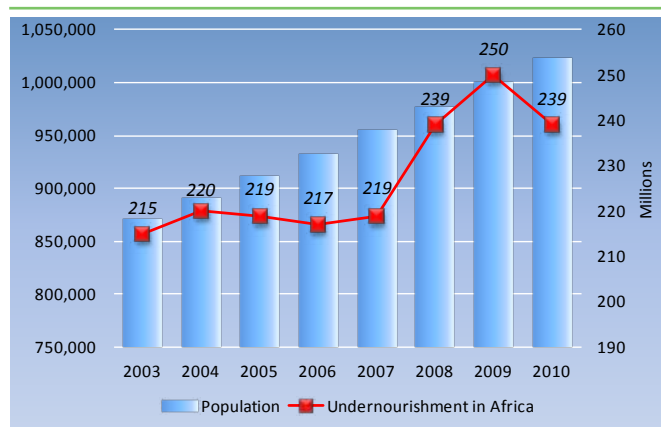


and associated indicators have been falling only modestly: 34% of Africa's children were stunted in 2008, down slightly from 38% in 1990.

The IFPRI Global Hunger Index (GHI) showed some progress in reducing hunger in most African countries between 1990 and 2007. However, FAO figures show a sharp increase in malnourishment from 219 million in 2007 to 239 million in 2008 (in contrast to Asia) as a result of food price hikes. The best available estimates were that the total rose to over 250 million in 2009 and remained at 239 million in 2010, though these figures may be subject to further revision. No estimates are available for 2011. However, it is clear that persistent malnutrition, exacerbated by food price hikes is set to further undermine progress made by Africa in reducing poverty (see Box 1 in Appendices).

In the **Horn of Africa** the severest drought in 60 years affected more than 13 million people in 2011 and four million people continue to need emergency assistance. Regional imbalances persist: in late 2001 Southern Africa reported good rainfall and food surpluses, whilst

Population growth and undernourishment in Africa, 2003-2010



Source: World Population Prospects: The 2010 Revision, UN Secretariat, UN Food and Agricultural Organisation/SOFI

Sahelian countries faced severe food and nutrition crises. Africa overall will be unable to meet the MDG 1 target (halving the proportion of people who suffer from hunger by 2015) based on current trends.

Food prices remain high, influenced by factors ranging from oil prices and higher input costs, to stock levels, climate variability and increased biofuels production. Another spike in 2011 in international food prices, the second in three years, is raising concerns of a repeat of the 2008 food price crisis and its consequences for the poor. The outlook for the next decade points to continued high prices and volatility. Containing excessive volatility, enhancing the resilience of poor populations to such fluctuations, addressing bottlenecks such as infrastructure, increasing productivity and scaling up safety nets (see Topics 2 and 3) - in light of high population growth rates in the region will be key challenges.

What are the future priority actions?

(in addition to those in Topic 2 Agriculture)

Africa

- Step up regional coordination of early warning systems, rebuild emergency food stocks, accelerate implementation of the ECOWAS pilot emergency food reserve systems and scale up safety net programs in vulnerable countries;
- Develop national and regional market-based mechanisms and financial instruments to manage risks and smooth food import costs, and remove all food export bans within Africa to enable food to flow from surplus to deficit areas;
- Integrate increased climate variability into national and regional food security strategies.

Development partners

- Increase support for humanitarian assistance and refugee-related requirements in response to the ongoing crisis in the Horn of Africa;
- Make specific new commitments beyond AFSI and implement the Action Plan on food security and price volatility endorsed at the Cannes G20 Summit;
- Remove production distorting subsidies and trade barriers, subsidies for biofuels and restrictions on WFP emergency food exports.

Topic **10**

PROMOTING GENDER EQUALITY AND WOMEN'S EMPOWERMENT

Key commitments

Africa: African leaders have reaffirmed their commitments to gender equality, women's rights and empowerment in both economic and political spheres following the adoption of 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 (SDGEA, 2004). This culminated in the adoption of the African Union (AU) Gender Policy in 2009 and the launch of African Women's Decade in 2010, reaffirmed with the launch of the Fund for African Women in 2011. African governments have also made commitments through a number of international agreements. Leaders have committed to promote maternal, newborn, and child health and development in Africa by 2015, notably through the Campaign on Accelerated Reduction of Maternal Mortality in Africa (see Topic 8). A series of commitments emphasising gender concerns in social and economic spheres have also been made through AU and regional level sectoral declarations, including on education, health, youth employment, food security and migration (see also Topics 2, 7, 8 and 9).

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 (CEDAW). 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 refer to the objectives of gender equality. Development partners have also committed support to gender equality through a series of sectoral initiatives, as well as commitments to assist developing countries manage the impact of the 2009 financial crisis pledged to accelerate action on gender equality. The G-20 have highlighted gender gaps in relation to skills in their 2010 multi-year action plan on development, and in 2011 placed special emphasis on the need for gender sensitive agricultural plans and policies (see Topic 2). The Fourth High Level Forum on Aid Effectiveness in Busan recognised the need to accelerate efforts to achieve gender parity and empowerment through development programs grounded in country priorities.

What has been done to deliver on these commitments?

Africa: Progress in entrenching norms and standards for promoting and protecting the rights of women is mixed. All but three African countries have ratified the CEDAW and 32 countries have ratified the Protocol to the African Charter on Human and Peoples' Rights on the Rights of Women in Africa. Many countries have integrated non-discriminatory clauses into their respective constitutions and other legislative instruments and have undertaken reforms in marriage, family and property relations (including inheritance). Strategic responses to violence against women have been strengthened by the UN Secretary General's Africa Unite Campaign to end Violence against Women and Girls and other related initiatives. Eighteen of the 28 African countries practising female genital mutilation have outlawed it, although law enforcement remains weaker. Nine countries have established social protection programmes benefiting women.

Development partners: In 2009-2010 OECD-DAC members committed an annual average of US\$24.9 billion in 2009-10 globally in bilateral support for gender equality, much of it in the health, education and governance sectors. Lower priority was given to gender equality in economic and productive sectors. African countries constituted the top 10 partners of the majority of DAC members providing direct support in this area. Multilateral development banks and International Finance Institutions (IFIs) have also strengthened their support, such as through the African Development Bank's Gender Plan of Action (GPOA) and the World Bank's three year road map for gender mainstreaming (2011-2013), which will build on previous lessons learned.

What results have been achieved?

Progress towards gender parity has been recorded in the social sectors. However African women face persistent and multiple equality challenges as changes in social norms or values have not kept pace with statutory law.

Education: The majority of African countries are on course to achieve the MDG primary enrolment and gender parity targets in education: 10 out of 27

Gender policies developed by most countries, but progress in implementation mixed. Improvements in social spheres and in political representation, but limited progress in economic participation.

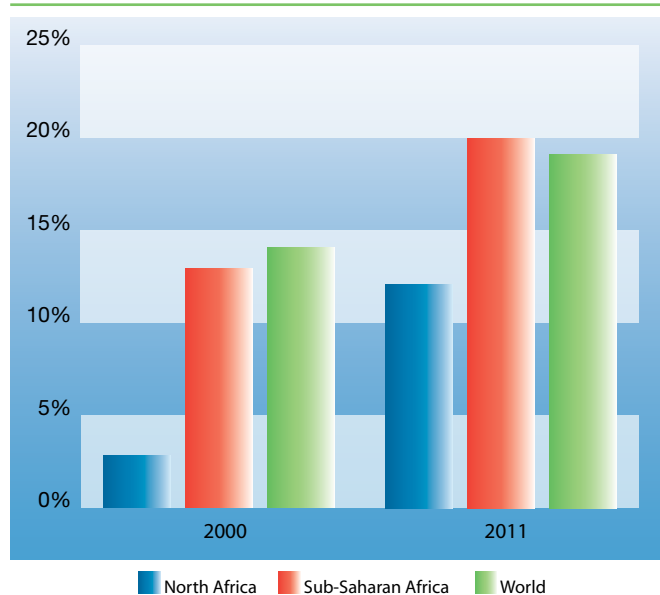


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countries in sub-Saharan Africa and all North African countries have already reached parity. Girl dropout rates remain high, especially in rural areas. This challenge also lies at secondary and tertiary levels, where African governments are under-investing (see also Topic 7).

Health: Much has been done to scale up prevention and treatment, but the disproportionate impact on women remains a major challenge (see also Topic 8). Maternal health in sub-Saharan Africa has improved, with maternal deaths per 100,000 live births falling by 26% between 1980 and 2008. The rate, however, remains high compared to North Africa and the rest of the world. Major gains have been made in increasing skilled attendance at birth in Northern Africa. Sub-Saharan Africa has lagged behind, with births attended by a skilled health professional averaging just 46% in 2009, against 42% a decade earlier.

Proportion of women in national parliaments in 2011 (%)



Source: UN MDG report 2011.

Economic participation: 36% of the sub-Saharan African population in waged employment are women. In North Africa the proportion (outside agriculture) is less than 20%. Women represent half of the agricultural labour force in Africa. Despite their essential contribution, women in Africa have less access than men to productive resources, including land, livestock, labour, education, extension and financial services, and technology. On a more positive trend, the number of African women in legislative, senior or managerial jobs has increased steadily to reach 24.8%, compared to an estimated 28% global average.

Political representation: In 2011, sub-Saharan Africa had reached 20% female participation in parliamentary representation, slightly above the world average of 19%. North Africa increased to 12%, up from only 3% in 2000. Six countries have surpassed 30% or higher representation in parliaments, mainly due to constitutional quotas and progressive laws. Two of the top three global performers are African, with percentages of women in decision-making positions exceeding 40%. Increased representation of women in decision-making at local government levels is also reported in a number of countries. However, the number of women in parliament has recently declined in some countries, indicating that more needs to be done to ensure equitable political representation.

What are the future priority actions?

Africa

- Expedite measures to enhance access to the African Fund for Women;
- Harmonize all programmes that promote health and well being of women and girls including strengthening of anti-retroviral access programmes;
- Continued actions to promote parity in politics and decision-making, including concrete moves towards constitutional provisions.

Development partners

Deliver on Busan commitments to:

- help collect and make full use of data disaggregated by sex;
- integrate targets for gender women's empowerment in accountability mechanisms;
- promote gender parity in all aspects of development programmes.

Topic **11****POLITICAL GOVERNANCE****Key commitments**

Africa: African governments have reiterated on numerous occasions their commitments to good political governance and to taking collective action through continental and regional institutions to improve democratic processes and human rights. The African Union (AU) has adopted a zero-tolerance policy to unconstitutional changes of government. The African Peer Review Mechanism (APRM) provides a framework to monitor and promote good governance.

Building on these commitments, the 16th AU Summit in January 2011 committed to the establishment of a Pan-African Governance Architecture (AGA) to enhance the capacity of the AU to promote, evaluate and monitor governance trends. Leaders further committed to accelerate ratification and adoption of relevant AU instruments through the September 2011 Cairo Declaration. The AGA consolidates charters and protocols already 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 including the Human Rights Strategy for Africa.

The Charter which entered into force in February 2012 commits states to establishing independent election bodies, codes of conduct and standards for democratic institutions, rule of law, political, economic and social governance and creates an obligation to respond to unconstitutional actions within member states. The AU has developed a framework for monitoring implementation of the Charter.

Development partners: Development partners have welcomed Africa's emphasis on good governance. They have committed to support the APRM and related processes, whilst recognizing their own limited role in African governance. The ongoing EU-Africa Strategy on governance and human rights has contributed to the focus of the AGA. Under the United Nations, partners are signatories of several international commitments on human, civil and political rights.

Responding to recent regional, development partners have reaffirmed their universal commitments to freedom and democracy. The 2011 Deauville Partnership committed partners to support countries engaged in a transition towards free, democratic and tolerant societies.

What has been done to deliver on these commitments?

Africa: The picture is varied both between countries and across different areas of governance. The 2011 Ibrahim index finds that just over half the countries in Africa have improved in overall governance quality, and just under half have declined. The majority have improved in the areas of economic opportunity and human development, but have regressed in safety and the rule of law, and human rights. These trends will be examined in more detail in the forthcoming Africa Governance Report III.

Within this overall picture, elections continue to be the most visible and tangible expression of the AU and its member states' commitment to democracy and governance, and are now a regular feature of the political landscape. Between January 2011 and end-March 2012, 29 countries held elections at presidential, parliamentary, regional and local levels. The AU and regional organizations have supported this process through election observation missions and technical assistance for Election Management Bodies. They have also supported the peaceful transfer of power following elections, and have taken an extremely strong stand against unconstitutional changes of government.

The roll-out of the APRM process continues: 31 countries have acceded to the APRM, of which 15 have been reviewed and are at different stages of implementing their National Plans. There have been changes at the level of the continent's judicial infrastructure with the establishment of the African Court of Justice and Human Rights and actions at the level of the Pan-African Parliament.

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 is increasing. Assistance for elections increased to US\$317 million in 2010, an almost four-fold increase over the decade. Assistance supporting democratic participation and civil society has almost doubled over the period, reaching US\$595 million in 2010. Development partners have also supported development transitions in North Africa

Although the AU and regional institutions are providing a strong lead and there has been significant progress, much remains to be done including strengthening the institutions of accountability and promoting free and fair electoral processes.



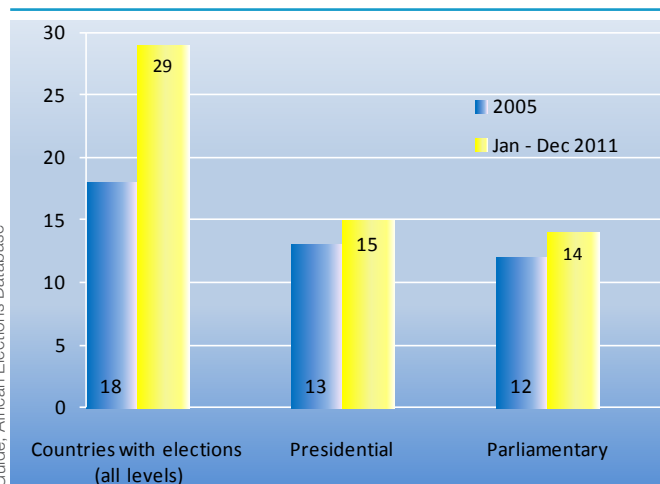
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in establishing the Deauville Partnership through: (i) political processes to support the democratic transition and foster governance reforms; and (ii) an economic stability framework for sustainable and inclusive growth.

What results have been achieved?

There has been an increase over the last two years in the number of political systems that are largely based on democratic norms, the rule of law and separation of powers, and a decline in the number of autocratic and unaccountable regimes, following the democratic transitions now underway in North Africa. Most African countries have become electoral democracies, of varying degrees and capacity. In two countries elections have led to the successful transfer of power from one party to another at Presidential level. There has been some success in reversing unconstitutional change. And while there has been a worrying resurgence of attempted coups d'état, these have nearly all failed. The APRM has also helped to promote improved governance in countries that have

Number and type of elections



Sources: Electoral Institute for the Sustainability of Democracy in Africa, (EISA), Consortium for Elections and Political Process Strengthening (CEPPS); IFES Election Guide; African Elections Database

engaged in reform processes. Overall, popular support for democratic institutions and good political governance has become stronger.

However despite these advances, there continue to be major challenges. Although the quality of elections has improved, it continues to be uneven. In 5 countries there were pre-election and voting related violence and conflicts. The elections in all other countries were relatively peaceful, but not devoid of tensions, allegations of electoral corruption and intimidation of opponents. Continued outbreaks of election related conflict and political violence reflect not only weaknesses in the governance of elections, the rules of orderly political competition, and the mechanisms to interpret and adjudicate electoral disputes, but also the underlying challenge of managing diversity and promoting social inclusiveness and participation through the electoral process (discussed in the forthcoming AGR).

Broader challenges of political governance include strengthening the institutions of accountability, expanding the political space for citizens to take part in decisions, and consolidating the rule of law, civil liberties and human rights. And although democratic transitions are underway following the momentous political changes of 2011, these have yet to be fully consolidated and the danger of slippage and reversals remains.

What are the future priority actions?

Africa

- Ensure implementation of the African Charter on Democracy, Elections and Governance including continued strong zero-tolerance for unconstitutional change of power;
- Improve other indicators of political governance including checks and balances, accountability, the rule of law, civil liberties and human rights;
- Continue to promote the implementation of the APRM and the resulting National Programs of Action (NPOAs).

Development partners

- Continue to give political support to the efforts of continental and regional institutions to improve all aspects of political governance;
- Where requested by African institutions, continue to provide practical and financial support for the implementation of the APRM and elections;
- Implement Deauville Partnership to help consolidate North Africa transitions;

Topic **12****ECONOMIC GOVERNANCE****Key commitments**

Africa: African governments have made commitments in 3 broad areas: macroeconomic policy management, public financial management (including transparency), and tackling corruption. Twenty-one African countries are parties to the Extractive Industries Transparency Initiative (EITI) and countries have recently declared intent to implement their Africa Mining Vision for transparent, equitable exploitation of mineral resources. The AU Convention on Preventing and Combating Corruption (AUCPCC) which entered into force in 2006 covers offences including bribery and money laundering, asset recovery provisions, and corruption in the private sector. The African Peer Review Mechanism (APRM) provides a mechanism for reviewing progress in economic as well as political governance (see also Topic 11).

Development partners: Development partners have made commitments to support African efforts in these areas and to tackle related issues within their own jurisdictions. The latter includes commitments to: (i) promote transparency including through initiatives such as the EITI; (ii) tackle illicit financial flows and help detect, freeze and repatriate stolen assets; and (iii) tackle corruption including through the UN Convention against Corruption (UNCAC) and the OECD Convention on Combating Bribery of Foreign Officials in International Business Transactions (OECD Anti-Bribery Convention) and the G-20 Anti-Corruption Action Plan on Combating Corruption, Promoting Market Integrity, and Supporting a Clean Business Environment.

G-20 countries have agreed to implement whistle-blower protection rules by the end of 2012. The 2011 G-8/Africa Joint Declaration reiterated joint commitments to good financial governance including transparency in revenue collection. Development partners have also made related commitments to promote responsible business conduct (see Topic 4), greater tax transparency (see Topic 14), and greater aid transparency (Topic 16).

What has been done to deliver on these commitments?

Africa: Many African countries have made significant efforts to develop robust macroeconomic policy. They have instituted reform across the public resource management cycle including the reconstitution of national rev-

enue administrations, modernisation of legal frameworks including in procurement, creation of new structures in the budget preparation process, and strengthening of supreme audit institutions. In some areas, however, progress has been inhibited by a significant transparency deficit exacerbated by poor budgetary implementation and execution, inadequate accountability, deficient political will to adhere to constitutional frameworks, tax and budget management laws, and technical and managerial capacity shortfalls.

By April 2012, 7 African countries had been designated as EITI compliant and 13 were candidate countries. Sixteen African countries have met the minimum requirements of the Kimberley Process Certification Scheme for diamonds. Regional initiatives have been taken to tackle illegal exploitation of and trade in natural resources. Thirty-one countries have ratified the AUCPCC and 43 African countries have ratified the UNCAC. Nine African countries have first year reviews underway.

A number of new anti-corruption mechanisms have been established. The African Union Advisory Board on Corruption (AUABC) is now actively combating corruption on the continent and has developed a five year Regional Anti-Corruption Programme (2011-2016) with the UN Economic Commission for Africa (UNECA). In January 2011 the African Development Bank launched a joint initiative with the OECD to support business integrity and anti-bribery efforts in Africa. The African Association of Anti-Corruption Authorities was also established in 2011 to strengthen cooperation in detecting, tracing, recovering assets and investigating corruption cases. In February 2012 the High Level Panel on Illicit Financial Flows was launched.

Development partners: Key recent developments include important moves in one major jurisdiction towards the mandatory reporting of payments made to governments by companies operating in the oil, gas and mineral sectors, and discussions on adopting similar requirements in other jurisdictions. An OECD Task Force on Tax Crimes and other crimes has been established to help tackle illicit financial flows. However despite the Stolen Assets Recovery Initiative (StAR) launched by the UN and the World Bank Group to help developing countries recover stolen assets, including the proceeds of corruption, the process for asset recovery remains lengthy and difficult, and progress is slow and uneven. On bribery: since the OECD

Sound macro-economic management helped mitigate effects of crisis. Continued efforts needed on transparency, and tackling corruption and illicit financial flows. This requires collective international as well as African action.



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Anti-Bribery Convention entered into force in 1999, 290 companies and individuals have faced criminal sanctions for the bribery of foreign public officials in international business deals. 40 individuals have gone to jail and approximately 260 investigations are ongoing in 21 countries – though no separate data is available on how many of these relate to Africa.

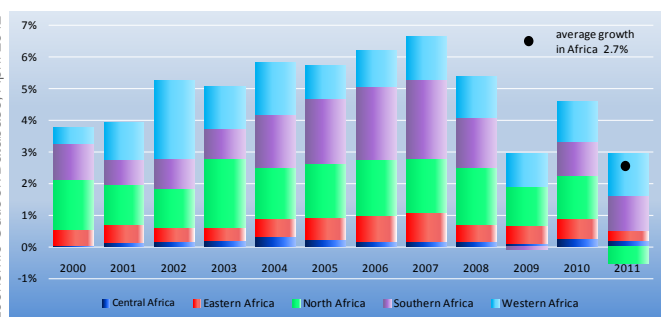
What results have been achieved?

Macro-economic policy management: sound domestic macroeconomic policy created the space for African governments to adopt counter-cyclical policies to mitigate the effects of the crisis, and have provided the basis for subsequent recovery;

Public resource management: pockets of the public resource management cycle are performing better on average. But based on the review of about 20 African countries for which historical data on public financial management (PFM) is available, about half show no clear trend while the other half is almost equally split between those showing improvements in the quality of their PFM systems, and those where PFM quality has deteriorated. Most progress has taken place at the de-jure level, through adoption of new laws and regulations, whereas implementation is lacking.

Transparency: African countries lag the rest of the world in terms of transparency in revenue from the oil, gas and mining industry and the budget. The 15 African countries that made up the 2010 Revenue Watch Index

Shares of growth by sub-region



Source: International Monetary Fund, World Economic Outlook Database, April 2012

report had an average score of 37.6 compared to an average of 51.8 for the 41 countries covered by the report. Of the 27 African countries surveyed for the Open Budget Index (OBI), 18 published either no or scant or minimal budget information and 8 published some budget information. Only one African country published significant or extensive budget information.

Corruption: Every year an estimated US\$20 to 40 billion in stolen assets is lost to developing countries through corruption, much of which finds safe haven in international financial centres. Some governments in sub-Saharan Africa have made substantial efforts to curb corruption, but their full impact remains to be felt. Measured through perceptions, progress continues to be slow: Transparency International's 2011 Corruption Perceptions Index indicates that levels of corruption continue to be seen as higher than in other regions with little if any improvement compared to 2010.

Recovery of stolen assets: Some African countries have recovered stolen assets but difficulties in inter-jurisdictional co-operation mean that the processes involved are often complex and costly. A recent OECD/StAR report shows that between 2006-09 only US\$10.9 million was repatriated to Africa. Most large-scale corruption activities continue to be the use of legal entities to conceal ownership and control of corrupt proceeds.

What are the future priority actions?

Africa

- Continue to adopt sound macro-economic policies, supported by strong and independent institutions including central banks;
- Improve transparency in public financial management systems;
- Step up efforts to counter bribery and corruption through implementation of the AU Convention.

Development partners

- Promote improved transparency of payments made by companies to African governments, in all sectors;
- Step up efforts to stem illicit flows and to help African governments identify and recover stolen assets;
- Step up efforts to tackle bribery and corruption through implementation of the UN Convention and of OECD anti-bribery standards.

Topic **13**

PEACE AND SECURITY

Key commitments

Africa: African Governments have emphasized as imperative the need to intensify security cooperation under the African Peace and Security Architecture (APSA) and have institutionalized innovative conflict prevention, management and resolution mechanisms at continental and regional levels. They have established the Peace and Security Council (PSC), a 15,000-troop-strong African Standby Force (ASF), a Special Peace Fund, a Panel of the Wise, and a Continental Early Warning System (CEWS). Recent commitments have reaffirmed the principle of 'African solutions to African problems', building on pledges to consolidate progress, strengthen institutional capacities, secure flexible but predictable funding and build relationships with the UN and other partners. African governments have also adopted a number of common positions, including on the Proliferation, Circulation and Trafficking of Small Arms and Light Weapons, the Prevention and Combat 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: support to African efforts in peace-building, 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. They have also pledged to address drivers of conflict and insecurity, including terrorism, 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: The African Peace and Security Architecture is increasingly operational, though problems remain. In the 3 month period January-start April 2012 alone, the PSC met on 10 occasions and intervened politically and/or militarily in 6 cases. In 2011 it reviewed 10 cases. Actions,

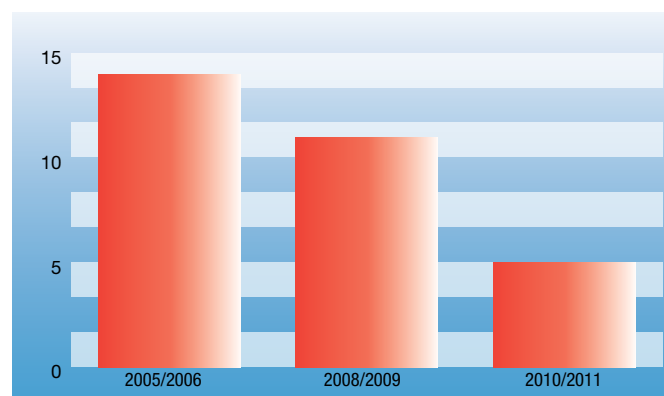
often in response to issues of governance and economic reform (see Topics 11 and 12), have ranged from political statements and interventions, travel bans and freezing funds, to military action.

The AU has conducted a number of peace operations, ranging from election support, to a hybrid mission with the UN; and full blown peace enforcement operations. RECs have also been very active in this area. The PSC has also considered a number of policy issues, such as post conflict reconstruction and development, and the situation of women and children in conflict.

Cooperation between the AU and the UN has been strengthened in areas ranging from conflict prevention, management and resolution, to post-conflict reconstruction and development. 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 2011. Regional protocols aimed at addressing the proliferation of small arms and light weapons have been signed. 31 countries had signed and 7 had ratified the Kampala Convention on protection and assistance to internally displaced people by end of March 2012.

Set against this, there remain significant challenges in the imple-

Number of countries experiencing conflict in Africa



Important progress in African-led efforts, and significant achievements in reducing conflict. But serious threats remain, requiring both continued efforts and funding from within Africa, and collective international action.



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mentation of the APSA. The financial and military burden is carried by only a few states and the absorptive capacity for further capacity building is low. Effective African-led security efforts have been absent in a number of cases of conflict.

Development partners: Development partners have given strong support to the APSA through provision of financial assistance, capacity building and national expertise, and met commitments on training. However, funding has often been provided in an ad-hoc and uncoordinated fashion, and legal constraints on the uses to which some funds can be put have limited development of regional and continental military capabilities. Some bilateral partners have provided support to AMISOM, including equipment, training and logistical assistance. Development Partners are providing most of the funding for AU and REC's operations, and the UN Security Council continues to explore modalities for funding future AU peacekeeping operations.

Direct support to African initiatives has occurred within a broader framework of support and cooperation through the UN, with a global 2011/12 peacekeeping budget of US\$7.1 billion, exclusive of resources for newly established mission such as UNMISS and UNIFSA.

Development partners have continued support towards breaking the links between natural resources and conflict including through active participation in the Kimberley Process Certification Scheme for rough diamonds.

What results have been achieved?

Looking across a longer time horizon, there has been a significant reduction in the number of conflicts since the 1990s and early 2000s. There is currently one low-intensity inter-state conflict in Africa in which the AU is actively mediating, and no cases of conflict in one state drawing in its neighbours across a region. The number of countries currently experiencing internal conflict has also reduced, and involves five, down from eleven two years ago and 14 five years ago. Although Africa still accounts for 23% of refugees and 42% of IDPs worldwide, it is no longer true that half of all wars are fought on African soil. While in 2002 55% of violent conflicts took place in sub-Saharan

Africa, in 2011 the share had dropped to 24%. There have been a number of successes in building stability post conflict. As a result of effort put into post conflict reconstruction, including work on political transition and building institutions, elections have been held in nine post conflict countries (see also Topic 11).

Set against this, some ongoing conflicts remain longstanding, complex and difficult to resolve, new conflicts have arisen, and there have been some worrying recent developments. Africa currently faces threats to peace, security and stability from 5 main sources. Firstly, the spill-over effect from conflict in North Africa, including the proliferation of weapons and armed criminal and terrorist groups in the Sahel and the Northern regions, creating security issues which have in turn had a knock-on effect on political stability. Secondly governance-related intra-state conflicts and violence, including those related to elections (see also topic 11). Thirdly the growing threats posed by terrorism. Fourthly border disputes which threaten relations between neighbouring countries. Fifthly, the destabilizing as well as the humanitarian impact of droughts and famine.

What are the future priority actions?

Africa

- Continued efforts at continental and regional levels to prevent, manage and resolve conflict including through African-led peace operations;
- Provide sufficient and predictable funding for Africa-led peace operations combined with support for the African Solidarity Initiative and the framework on Security Sector Reforms;
- Implement agreements tackling conflict resources and the proliferation of small arms and light weapons to address drivers of conflict.

Development partners

- Continue political support for continental, regional and sub-regional mediation initiatives;
- Provide practical resources where needed in support of peacekeeping and peace building capacities;
- Enhance efforts to address the illicit trade in natural resources and narcotics and increase maritime security to support the fight against piracy.

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.

Development partners: Supporting developing country efforts to mobilise national savings was a major commitment of the Monterrey Consensus, re-affirmed at the follow-up 2008 Conference in Doha. Since then, there have been several commitments at G-20 Summits to support the development of more effective tax systems; to prevent erosion of tax bases in developing countries including through exchanging tax information; to promote transparency by multinational enterprises when dealing with developing countries, including transfer pricing practices; and to address tax havens.

What has been done to deliver on these commitments?

Africa: Many African countries have improved revenue mobilisation efficiency by broadening their tax base. Thirty-six countries have adopted value-added taxes to reduce reliance on trade taxes but generally VAT laws tend to be complex in most countries. Sixteen countries have established autonomous revenue authorities. The African Tax Administration Forum (ATAF) has created a platform to help tax administrators share good practices, set tax priorities and improve fiscal legitimacy. Some countries are experimenting with approaches to enhance partnership and trust with the taxpaying community.

Yet, in spite of efforts by many governments to reduce total tax rates on businesses in line with a worldwide trend, African companies still face the world heaviest tax burden both in terms of high rates and cumbersome tax regulations (see also Topics 4 and 12). Also, free trade arrangements within Africa and between Africa and their major trading partners and the use of tax competition to attract foreign investment have put pressure on narrowing the tax base in many countries. In dealing with multinational enterprises, a number of African countries have transfer pricing policies in place but face

significant challenges in their capacity to effectively assess the risk of potential revenue losses and remedial actions. Lastly, successes with rolling out VAT have increased tax efficiency, but have also led to a greater share of more regressive indirect taxes, while the more progressive personal income tax has experienced only a small increase as a share of GDP.

Development partners: There has been a significant scaling up of international effort. The OECD has created a “Task Force on Tax and Development” to support developing countries on a broad range of tax issues including capacity building for tax administration, combating tax avoidance and evasion, and ways to tax multinational enterprises through effective transfer pricing. The work by the Task Force was reported to the 2011 G-20 Summit. More than 100 countries have now joined the “Global Forum on Transparency and Exchange of Information for Tax Purposes”.

Each member of the Global Forum has committed to implementing the international standard on tax transparency and information exchange on request, and those commitments are subject to peer review examination. Members include a number of African developing countries, and to assist smaller jurisdictions and developing countries to meet the standard, a series of technical assistance programs have been launched by the Forum, in association with ATAF and other partners.

More than 700 bilateral agreements for the exchange of tax information have been signed, while more recently the focus has shifted to a multilateral approach. All G-20 members had committed to becoming parties to the multilateral Convention on Mutual Administrative Assistance in Tax Matters which allows for exchange of tax information between countries. The multilateral Convention is now open for signature by all countries, and it is envisaged that a number of African countries will sign the Convention in 2012.

What results have been achieved?

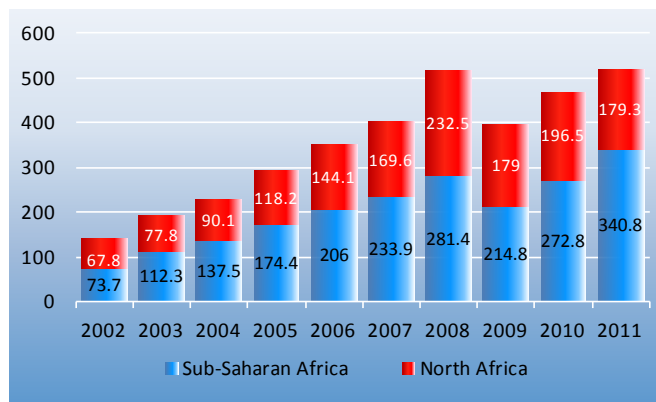
Total government revenue excluding grants increased from 21% to over 28% of GDP between 2002 and 2008 for sub-Saharan Africa (SSA) and from 30% to over 41% for North Africa. As a result, Africa more than tripled its revenue collection between 2002 and 2008 to reach

Domestic revenue more than tripled between 2002-08, fell sharply in 2009, and recovered strongly to a new high in 2011. Continued international effort needed on tax havens and transfer pricing.



© African Tax Administration Forum launch
Uganda, November 2009

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



Sources: IMF, Regional Economic Outlooks (April 2012); World Economic Database of April 2012

over US\$513 billion, more than ten times the volume of ODA, though the ratio to ODA varies considerably among countries (see Appendix table). Revenue to GDP ratios have increased in all groupings of countries, but most significantly in resource-rich countries, helped by the boom in commodity exports and in middle-income countries.

As a result of this performance, while almost a third of SSA countries mobilised less than 15% of GDP as public revenue — commonly regarded as the minimum to ensure coverage of basic government services — in 2002, only 8 countries (or 17%) still collected less than 15% of GDP in 2011. However, from a global perspective, public resource mobilisation in SSA remains weak compared to other regions. Recent assessments of tax effort by the IMF show that half of SSA countries can, on the basis of their economic potential, further raise the equivalent of 2% to 4% of GDP in revenue.

The global economic crisis caused a sharp fall in public revenue in 2009, due to lower commodity prices and lower growth. In nominal terms,

public revenue declined by US\$120 billion, some 23% over the previous year, to US\$394 billion. This decline occurred mostly in oil exporters.

Government revenue has recovered to reach US\$469 billion in 2010 and hit a new high of US\$520 billion in 2011. Government revenue in sub-Saharan Africa reached US\$341 billion in 2011 compared to US\$74 billion in 2002. The gross national savings rate increased from an average of 17.1% of GDP in the pre-Monterrey period to a high of 24% in 2006, but has since dropped back to an average of 20% in the past three years. However, increases reflect the performance of resource-rich and middle-income countries, whilst low-income countries have made minimal improvement.

What are the future priority actions?

Africa

- Strengthen tax administration efforts including addressing the problem of tax avoidance and getting a fair share from the exploitation of natural resources;
- Broaden the tax base by rationalising tax policy including treatment of tax preferences and exemptions;
- Give higher priority to facilitating savings through the development of financial markets and microcredit institutions.

Development partners

- Ensure the implementation of recent G-20 decisions to intensify co-operation with Africa on tax havens, transfer pricing and greater transparency on tax information (see also Topics 12 and 15);
- Increase support for improving Africa's tax systems.

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 a long-term approach to addressing Africa's resource gap. They further agreed to promote the deepening of financial markets, to enhance cross-border financial market harmonisation and integration, and to promote an improved business environment to encourage both domestic and foreign investment (see also Topic 4).

Development partners: Since 2002 in Monterrey, development partners have repeatedly reaffirmed their support to increase the flows of private foreign investment (see Topic 4). The G-8 have pledged to assist African governments deepen and strengthen capital markets. The G-8's goal of reducing the transaction costs of remittances from 10% to 5% by 2014, announced in 2009, was subsequently adopted by the G-20 in 2011.

What has been done to deliver on these commitments?

Africa: In the context of global competition for foreign investments, many African countries have put in place policy incentives to attract foreign direct investment (FDI). The pace of reforms has also accelerated, with almost 80% of African countries implementing at least one business-climate reform in 2011/12 (see Topic 4). The African Development Bank (AfDB) has provided support to some 20 African countries to improve the legal and regulatory environment for business. Africa has concluded over 700 bilateral investment treaties. The African Union has launched the creation of the African Remittances Institute (ARI) to build capacity of African countries to leverage remittances for development.

The environment in which African financial systems operate has changed dramatically. Systemic banking crises have subsided. Credit to the private sector has risen, many banks have expanded their regional operations, and there has been a significant deepening and broadening of access thanks to innovative approaches such as the cell phone-based technologies.

Development partners: Partners have provided support to strengthen financial markets and have launched initiatives to promote investment in Africa. The NEPAD-OECD Africa Investment Initiative is helping build capacity to strengthen the investment environment by providing a forum for policy makers and supporting country-led investment reviews and reforms. Partners have launched the 'Send Money Africa' project under the ARI framework to help reduce remittance transaction costs and disseminate data on remittance fees in major corridors.

What results have been achieved?

Until the global financial crisis, Africa experienced 6 consecutive years of growth in private capital inflows, which reached a record high of US\$65 billion in 2007. After being more or less stagnant at between US\$50-54 billion in the post-crisis years, total private capital inflows have recovered strongly in 2011, reaching US\$59 billion. There is significant regional variation: FDI flows to sub-Saharan Africa (SSA) increased by 25% between 2010-11 and accounted for all of the larger private capital inflows into Africa, while FDI flows to North Africa declined reflecting political turmoil in the region. As a result, Africa's share of global FDI inflows rising from 0.7% in 2000 to 5.1% in 2009, has declined to about 4.5% in the last two years.

The extractive sector has attracted the bulk of FDI flows to SSA, with 15 oil-exporting countries receiving 75% of FDI flows to the region. But supported by improved regulation, a growing middle class, and rapid urbanization, the non-extractive sector - including telecommunications, finance, tourism, and the retail sector - has attracted rising interest, particularly from private equity.

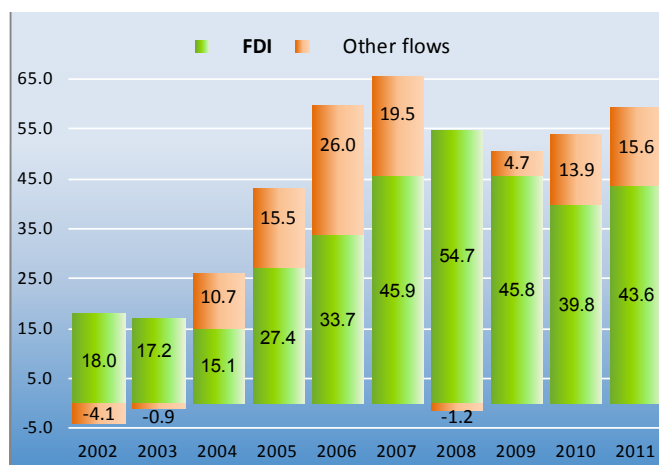
Although modest in size from a global perspective, FDI inflows to Africa are large relative to the economic size of the recipient countries and accounted for more than 20% of total investment in over one-third of SSA countries. They have also helped to raise total domestic investment as a share of GDP by almost four percentage points since the late 1990s.

Private flows recovered to pre-crisis level in sub-Saharan Africa but flows to North Africa still affected by political turmoil. FDI remains most significant component.



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



Sources: WB Global Development Finance 2012; WB Global Economic Prospects, January 2012; UNCTAD, World Investment Report 2011; IMF World Economic Outlook database, April 2012.

Portfolio equity flows to SSA, which declined during the global crisis, recovered to 2007 levels in 2009-10, encouraged by the establishment of a number of Africa-focused private equity funds. But the Euro zone crisis has dampened portfolio equity inflows in 2011. The experience of the last few years shows that private equity is becoming a growing part of the financial sector in Africa, especially for long-term finance. Bond flows to the region have experienced resurgence in 2011, showing an increasing interest by foreign investors in local bond markets, notwithstanding the foreign exchange risk.

Africa has experienced large illicit financial flows, estimated at over US\$850 billion over 1970 to 2008. According to the Washington-based Global Financial Integrity (GFI), illicit financial outflows have increased over time, averaging US\$50 billion a year in the past decade, and require efforts by both African governments and development partners (see

also Topic 12). Trade mispricing through transfer pricing techniques in cross-border activities is believed to be a major conduit (see Topic 14).

With increasing global migration flows, workers' remittances have become an important source of inflows for many African countries. Between 2000 and 2011, remittances to Africa rose by almost fourfold to US\$41.6 billion with a more rapid increase for sub-Saharan Africa – from US\$4.8 to US\$22.7 billion. The increase was also significant, although less rapid, in North Africa, reaching US\$19 billion in 2011. Actual remittances to sub-Saharan Africa are estimated to be much larger if transfers through unofficial channels are included. For 13 countries in the region, remittances accounted for more than 5% of GDP in 2009. The cost of remittances to Africa has declined somewhat but remains high compared to other developing regions. The large and rising remittances offer the potential for African governments to raise financing from its overseas Diaspora.

What are the future priority actions?

Africa

- Continue efforts to improve the business environment in order to attract both domestic and foreign investment;
- Create the conditions, including building human capital, to foster the diversification of FDI to higher value-added activities;
- Develop the capacity to track better remittance trends, leverage their development impact, and reduce their transaction costs.

Development partners

- Support Africa's effort to promote and diversify private capital inflows, including 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: African governments have committed to exercise effective leadership over their development policies and programmes, to strengthen public financial management and to be accountable for development results. These commitments were set out in the Paris Declaration on Aid Effectiveness (2005) and reaffirmed in the 2008 Accra Agenda for Action and the 2011 Busan Partnership for Effective Development Co-operation. Some countries have also made commitments to publish data to International Aid Transparency Initiative (IATI) standards.

Development partners: Development partners made a series of commitments in 2005 to increase development assistance by 2010 and (in the case of the EU) to further increases by 2015. In 2011, G-8 countries re-affirmed commitments on ODA and enhancing aid effectiveness. Some commitments were denominated in GDP. Adjusting for lower GNI in 2010, commitments translate into ODA to Africa of US\$66 billion in 2010, and US\$81 billion in 2015 (in 2011 prices and exchange rates). The latter figure assumes that those countries with no commitment for 2015 maintain ODA to Africa at the 2010 level, without further increase. The calculations were set out in Appendix Box 1 in the 2011 report. Development partners also made a number of commitments in the Paris Declaration, the Accra Agenda for Action and the Busan Partnership to improve the effectiveness with which they provide aid, particularly in the areas of alignment to countries' policies and systems, harmonisation of practices, transparency and predictability. They committed at Busan to accelerate their efforts to untie aid and will, in 2012, review their plans to achieve this. They also agreed to establish new indicators and targets by June 2012 for monitoring progress on a rolling basis. Emerging economies have accepted the Busan outcome document as a reference point for South-South co-operation. Twenty-eight signatories representing 80% of global Official Development Finance have signed the IATI. Commitments to increase lending by the International Finance Institutions (IFIs) were made in 2009 in response to the crisis. Other commitments include the development of innovative financing mechanisms. The Cannes G-20 Summit in November 2011 agreed that new sources of finance needed to be found to meet development needs and climate change (see Topic 18).

What has been done to deliver on these commitments?

Africa: Most African governments have made progress in delivering their Paris/Accra commitments including strengthening the leadership of their development programmes. Thirteen countries (out of 29 for which data is available) have improved the quality of their national development strategies since 2005, and several have completed fully-costed MDG needs assessments. Many countries have accelerated and deepened public financial management reforms. But parliamentary oversight of national development strategies and civil society involvement remain limited.

Development partners: Aid volume commitments for 2010 were still not met collectively in 2011, although some individual partners have met their commitments. Total ODA increased to US\$133.5 billion (2011 prices), an increase of US\$53.5 billion over the 2004 level. Although an increase in nominal terms, this however represented a 2.7% drop in real terms compared to 2010, and was significantly below the 2010 level implied by 2005 commitments, of around US\$159 billion in 2011 prices. Moreover, Africa received around 37% of the global increase since 2004, or around US\$19.6 billion, compared to the 50% assumed in 2005.

On aid effectiveness, global progress was insufficient to meet most of the targets set in the Paris Declaration. According to the 2011 OECD Report on Progress in implementing the Paris Declaration, only one out of the 13 targets for which data was available was achieved in 2010 and by a narrow margin: the target for coordinated technical co-operation, which measures the extent to which donors provide aid in support of countries' capacity development objectives.

Donors are using partner country public financial management and procurement systems more than in 2005, but not to the extent foreseen in the Paris Declaration. Donors are not systematically making greater use of country systems where these are more reliable. Survey data also show that donor performance has been particularly poor in African fragile states, potentially undermining limited government capacities. As of January 2012, 13 of the total 28 signatories are publishing data to IATI standards.

Commitments made on 2010 aid volumes still not met collectively by 2011. Commitments on aid effectiveness only partially met. Progress towards meeting 2015 commitments must be accelerated and monitored.



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Donors have created three innovative financing mechanisms in the health sector including Advanced Market Commitments (AMCs) to support the development of vaccines, the International Finance Facility for Immunisation (IFFIm), and the UNITAID Solidarity Air Ticket Levy and carbon market mechanisms. Discussions continue on the introduction of a levy on financial transactions to support development among other objectives.

What results have been achieved?

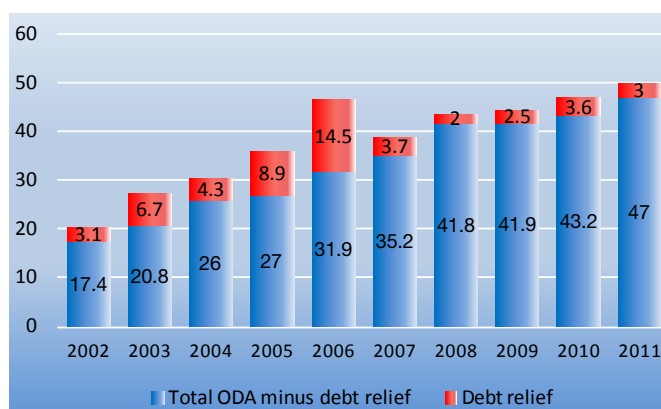
On aid volume, ODA to Africa rose to US\$50 billion in 2011 (equivalent to around US\$40 billion in 2004 prices), compared to US\$30.4 billion in 2004. This figure was still significantly below the 2010 level implied by 2005 commitments (around US\$66 billion in 2011 prices). It represented around 70% of what Africa would have received had the commitments been met in full. In practice, Africa received only around half of the promised increase implied by the 2005 commitments. About half of the shortfall is due to lower global ODA compared to commitments; the other half is due to Africa's lower-than-anticipated share of

the global increase - about 37% instead of the 50% assumed in 2005. Africa's share of global ODA has stayed between 23 and 40% since 2000 (excepting the temporary increases from exceptional debt relief).

On aid effectiveness, there are inevitable time-lags between improvements in aid delivery and final outcomes. There are also other factors - including domestic policy and development partners' non aid policies - that influence final outcomes. At the same time, country evaluations indicate that where progress was made towards the Paris and Accra targets, it is likely to have led to improved aid effectiveness. Two-thirds of the 21 countries evaluated globally showed good evidence that efforts to improve aid effectiveness had led to a better contribution of aid to development outcomes in the health sector, for example. Since donors have only just begun to publish their aid information to IATI, it is too early to comment on results. IATI's first annual report in 2012 will provide an overall analysis of the information that has been published to date. Innovative financing mechanisms had generated more than US\$6 billion in the health sector by end-2010.

What are the future priority actions?

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



Source: OECD-DAC, International Development Statistics database.

Africa

- Exercise effective leadership and develop capacity in coordinating and harmonising donor activities;
- Develop country-level frameworks for monitoring results in terms of development effectiveness, especially in the context of implementing the Busan commitments;
- Strengthen public financial management and procurement systems.

Development partners

- Volume: meet those commitments which have been made on ODA to Africa in 2015, and where there are no such commitments, as a minimum, maintain ODA to Africa at 2010 levels;
- Effectiveness, quality and accountability: fully deliver commitments made at Busan, including accelerated efforts to implement unmet commitments under the Paris Declaration, particularly on the use of country systems;
- Sustainability: ensure that ODA is compatible with longer-term sustainability objectives.

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 and increased international cooperation for sustainable debt financing.

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 International Monetary Fund (IMF), the International Development Agency (IDA) and the African Development Fund (AfDF), 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. And the G-8/Africa Joint Declaration adopted at the G-8 Deauville Summit in May 2011 reiterated the call to preserve debt sustainability in Africa. The G-20 Cannes Summit Declaration called for the review of the World Bank/IMF Debt Sustainability Framework to allow greater private participation in African Infrastructure.

What has been done to deliver on these commitments?

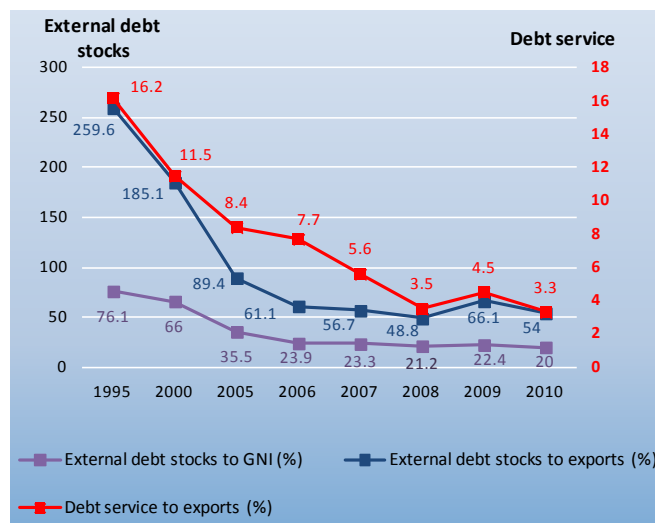
Africa: Debt management systems in most African countries have progressed, albeit only marginally. Most countries have now set up a debt management unit, debt recording systems are generally adequate, and data on public debt is more readily available. In most countries, the legal framework for public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

Development partners: The HIPC and MDRI Initiatives have made substantial progress. To help countries avoid lawsuits by creditors

who do not participate in the HIPC process, the World Bank and other donors have helped countries buy back commercial debt at a steep discount, thus clearing debt not covered by the HIPC Initiative. The World Bank and the IMF have developed a Debt Sustainability Framework (DSF), periodically reviewed since its establishment in 2005, to regularly assess the debt sustainability of eligible countries based on debt burden indicators. To allow countries with new borrowing space to finance public investment, partly on non-concessional terms, the DSF was recently revised by strengthening the link between debt-financed investment and growth, capturing better the expected economic and social returns from investments.

Under the Evian approach, development partners have also taken action to deal with debt problems of non-HIPC African countries, in-

Debt service burden for countries in sub-Saharan Africa



Source: World Bank Global Development Finance (2012)

External debt burden fallen dramatically and savings on external debt servicing have freed resources for poverty reduction. Continued efforts needed to sustain long-term debt sustainability.



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cluding partial write-offs. In order to improve debt management, the OECD and South Africa have set up the first African Sovereign Debt Management Centre, which helps governments in the region to analyse debt and sovereign risk, as well as monitor bond market developments.

What results have been achieved?

Of the 33 eligible African countries, 26 have reached the HIPC completion point and have received irrevocable debt relief and 100% debt cancellation under the MDRI. Four others are expected to reach completion point within the next 12 months. Three 'pre-decision point' countries that are yet to start the process of qualifying for debt relief under the Initiative are potentially eligible, and one more country could become eligible, making a total of 34 countries in sub-Saharan Africa benefiting from the Initiative. Over US\$10 billion of external commercial debt has also been written off in 21 low-income countries of which 15 from Africa, since the creation of the Debt Reduction Facility by the World Bank in 1989.

The total debt relief effort for all HIPCs amounted to US\$109.8 billion (net present value) at the end of 2011, US\$76 billion under the HIPC initiative and US\$33.8 billion under the MDRI. Multilateral agencies and Paris Club creditors bear the largest shares of the total cost of the HIPC Initiative.

Sub-Saharan Africa's external debt burden, measured both in relation to gross national income and exports, has declined dramatically as a direct result of these initiatives. As a share of export earnings, debt service payments have fallen sharply, from an average of about 11.5% in 2000 to less than 3.3% in 2010. The slight deterioration in debt indicators in 2009, caused by lower growth and weak exports following the global financial crisis, has bounced back in 2010. Sharp reductions in debt service payments have provided more fiscal space for poverty reduction, and particularly for health, education and other social services. Nevertheless, several challenges remain:

- Some of the remaining seven countries that have not yet reached the HIPC completion point, and particularly the pre-decision-point HIPCs, will require sustained domestic efforts and continued support from the international community in the interim period;
- Full participation of all creditors, particularly a number of smaller multilateral, non-Paris Club bilateral and private creditors, remains to be secured;
- The global financial crisis has had a significant impact on debt vulnerabilities of African countries which experienced a worsening of debt ratios in 2009. While this has proven to be a transitory phenomenon, 5 of the 27 African countries that have benefited from HIPC and MDRI debt relief are again experiencing a high risk of debt distress, calling for continued support to help these countries achieve sustainable debt management.

What are the future priority actions?

Africa

- Maintain efforts to enhance debt management and sustainability, including domestic debt;
- For the remaining 7 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 ensure that eligible countries get full debt relief from all their creditors and discourage lawsuits against HIPCs by non-Paris Club creditors;
- Maximise the concessionality of new funding and prioritise grants over loans to avoid a return to unsustainable debt levels.

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 (AMCEN) at the Special Session on Climate Change (Nairobi, 2009) urged that the financial resources for climate change should be new and additional and provided primarily in the form of grants. At the fourth special session on the environment (Bamako, 2011), AMCEN stressed the importance of ensuring direct access to funding, equitable allocation through geographical and needs-based criteria, a balance between adaptation and mitigation, and grant-based funding for adaptation activities. African Ministers also called for the establishment of an Africa Green Fund.

Development partners: Development partners have made several commitments on climate change financing. The 2007 Bali Action Plan underlined the need to provide developing countries with adequate and additional financial resources. In the 2009 Copenhagen Accord, developed countries pledged resources approaching US\$30 billion of new and additional 'fast-start' finance over 2010–2012 with a balanced allocation between mitigation and adaptation; industrialised countries also commit to jointly mobilize US\$100 billion per year by 2020.

What has been done to deliver on these commitments?

Africa: The continent has created a common platform for climate negotiations. At COP17 in Durban, the African Union Commission (AUC), the United Nations Economic Commission for Africa (UNECA), the African Development Bank (AfDB), and the Republic of South Africa co-hosted some 100 roundtables, exhibitions and high-level conferences covering all aspects of climate change in Africa. To help expand the Clean Development Mechanism (CDM), the African Development Bank recently launched the Africa Carbon Support Programme (ACSP) to promote CDM activities.

Development partners: Under the aegis of the UNFCCC and the Kyoto Protocol, three funds have been established: (1) the Least Developed Countries Fund (LDCF) with US\$425 million pledged to date

to help least-developed countries prepare and implement national adaptation programs of action or NAPAs; (2) the Special Climate Change Fund (SCCF), with US\$216 million pledged to support adaptation and mitigation projects in all developing countries; and (3) the Adaptation Fund (AF), funded from a 2% levy on proceeds issued to (CDM) projects, which has received cumulative receipts of US\$255 million. In addition, the Global Environment Facility (GEF) has used contributions to the GEF Trust Fund to support climate related projects.

Much larger funding initiatives have been set up outside of the UNFCCC. Most noteworthy are the Climate Investment Funds (CIF), channeled through the World Bank Group and the four regional development banks to help developing countries pilot low-emissions and climate resilient development. The CIFs have received pledges of US\$9 billion from 13 donors. A number of specialized funds such as the Congo Basin Forest Fund, the Forest Carbon Partnership Facility, the MDG Achievement Fund and UN-REDD Programme have been established to help to reduce emissions from deforestation and forest degradation and to promote energy efficiency and renewable resources (see also Topics 5 and 6).

In addition to the multilateral funds, estimates of international publicly funded finance flows from bilateral sources to mitigation and adaptation-related activities could be as high as US\$23 billion in 2010 according to the OECD/DAC which gathers information on funding related to the "markers" of the Rio Conventions.

Fast Start Funding: As of November 2011, fast-start funding pledges totaled US\$28.2 billion.

Longer-Term Funding: The Green Climate Fund was established at COP16 in Cancun to channel for a substantial part of future climate change financing. At COP17 the Fund's governing instrument was adopted. The World Bank will serve as interim trustee for the Fund. Most operational details and more importantly, funding issues, remain to be finalised; the first meeting of the Board is scheduled in April 2012. Private capital investment will be essential to meet funding pledges and will need leverage by public funds to reduce risk and capital costs.

Africa's access to existing climate finance is marginal. Greater involvement in various funding including Fast Start and Green Climate Fund will be vital.



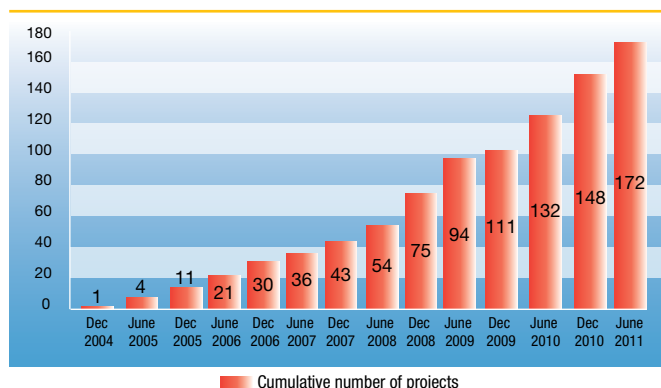
UNEPCC Photo: Umah Ngarntwari

What results have been achieved?

Disbursements relative to needs are off track by orders of magnitude and the bulk of climate finance has targeted mitigation. The two GEF-managed climate funds for developing countries have disbursed a total of US\$206.8 million, of which about 30% went to Africa. Since the Adaptation Fund became operational in 2009, a total of US\$30 million has been approved with approximately 40% benefiting Africa. While some US\$16.2 billion has either been requested or budgeted under the Fast Start fund, consolidated data on disbursements are not yet available and are estimated to be much smaller. Moreover, questions remain as to the 'additionality' of these flows and enhanced reporting provisions will be essential for their successful tracking.

With CIF support, about 50 developing countries are piloting transformations in clean technology, sustainable management of forests, increased energy access through renewable energy, and climate-resilient development. US\$459 million has been disbursed. From all climate funding sources, US\$1.2 billion has been approved for sub-Saharan Africa, of which US\$379 million has been disbursed as of end-November 2011.

Number of CDM projects in Africa



Source: UNEP Risoe Centre, CDM/JM Analysis and Database, September 1st 2011.

The large gap between approved and disbursed funding suggests serious bottlenecks in programme implementation.

Africa's access to carbon finance has been marginal but is slowly improving. Carbon offset markets through the CDM, a major catalyst of low-carbon investments in developing countries, have resulted in US\$27 billion inflows to developing countries between 2005-08, 70% of which has gone to China. The value of the offset market represented by the sale of CDM emission credits fell sharply in 2009 and 2010 because of the global crisis and the uncertainty regarding the post-2012 legal arrangements on global emission reduction. Twenty-three African countries had submitted a total of 204 CDM projects as of March 2012 accounting for 2.6% of all CDM projects, a 35% increase over the previous 12 months.

The rapidly evolving landscape of climate change finance brings increased complexity and imposes new challenges to developing countries on how to access resources and develop methods to monitor and evaluate the results. Within the overall framework of aid effectiveness, it is critical that African countries, with the help of the development partners, build on existing institutions and programmes to manage the additional resources at the national level.

What 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

- Accelerate disbursements of fast-start funding of US\$30 billion over 2010-2012;
- Expedite the formal launch of the Green Climate Fund and the formal establishment of the Standing Committee of the Financial Mechanisms;
- Support reforms, such as streamlining CDM registration and emission credit issuance, to make existing carbon market mechanisms more relevant and accessible to Africa.



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

Image taken by Helge Fahrmeberger (www.helge.at) using a Nikon D100.

Appendices

Charts & figures

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- Millennium Development Goals: Progress at 2011*
- Development finance: overview table*
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- Box 3. Programme for Infrastructure Development in Africa (PIDA)*
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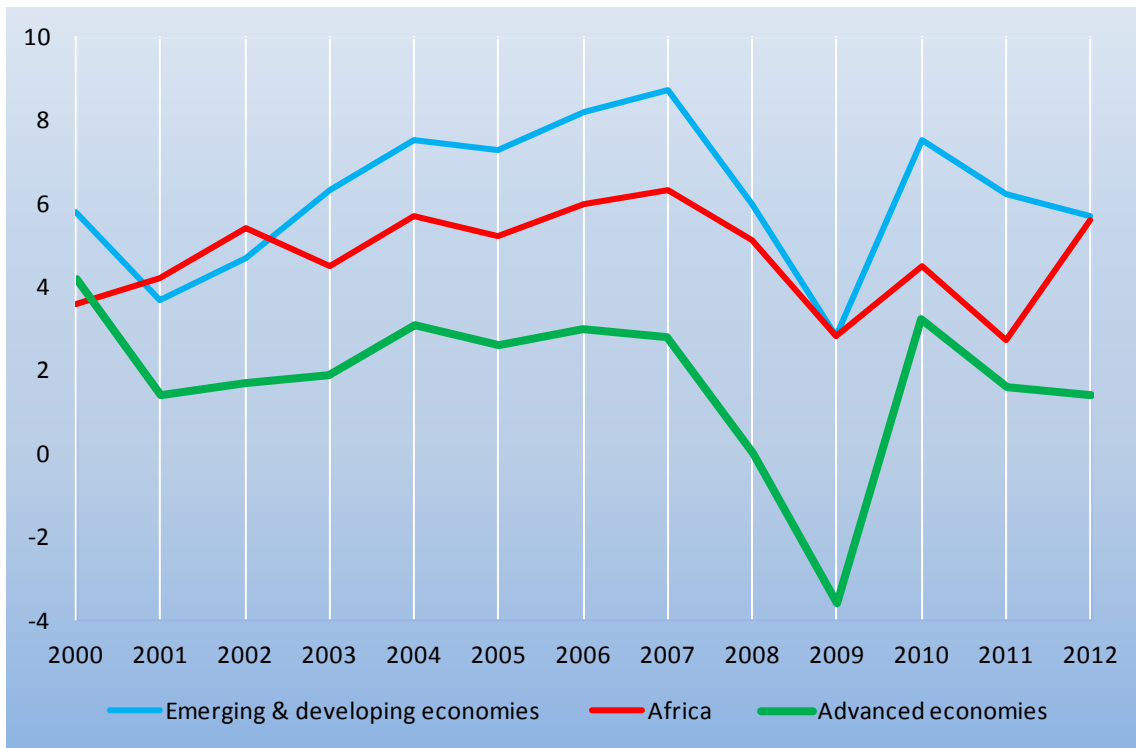
References

Acronyms

Acknowledgements

CHARTS & FIGURES

Real GDP Growth










Real GDP Growth	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Emerging and developing economies	5.8	3.7	4.7	6.3	7.5	7.3	8.2	8.7	6.0	2.8	7.5	6.2	5.7
Africa	3.6	4.2	5.4	4.5	5.7	5.2	6.0	6.3	5.1	2.8	4.5	2.7	5.6
Advanced economies	4.2	1.4	1.7	1.9	3.1	2.6	3.0	2.8	0.0	-3.6	3.2	1.6	1.4

Source: WEO April 2012 and calculations using WEO data.

Millennium Development Goals: progress at 2011

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
 GOAL 1: ERADICATE EXTREME POVERTY AND HUNGER		
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
 GOAL 2: ACHIEVE UNIVERSAL PRIMARY EDUCATION		
Universal primary schooling	high enrolment	moderate enrolment
 GOAL 3: PROMOTE GENDER EQUALITY AND EMPOWER WOMEN		
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	low representation	moderate representation
 GOAL 4: REDUCE CHILD MORTALITY		
Reduce mortality of under-five-years-olds by two-thirds	low mortality	high mortality
GOAL 5: IMPROVE MATERNAL HEALTH		
Reduce maternal mortality by three quarters*	low mortality	very high mortality
Access to reproductive health	moderate access	low access
 GOAL 6: COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES		
Halt and reverse spread of HIV/AIDS	low incidence	high incidence
Halt and reverse spread of tuberculosis	low mortality	high mortality
 GOAL 7: ENSURE ENVIRONMENTAL SUSTAINABILITY		
Reverse loss of forests	low forest cover	medium forest coverage
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
 GOAL 8: DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT		
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, 2011.

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

Africa

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Domestic revenue	141.6	190.1	227.6	292.5	350.2	403.4	513.8	393.8	469.4	520.1
Private flows	13.9	16.3	25.8	42.9	59.7	65.4	53.5	50.5	53.8	59.2
ODA*	20.4	27.5	30.4	35.9	46.4	38.9	43.7	44.4	46.8	50
Total	175.9	233.9	283.8	371.4	456.3	507.7	611	488.8	570.0	629.3
<i>Memo item: Remittances</i>	(13.2)	(15.8)	(19.7)	(22.7)	(26.7)	(37.0)	(41.5)	(37.7)	(39.3)	(41.6)

North Africa

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011e
Domestic revenue	67.8	77.8	90.1	118.2	144.1	169.6	232.5	179	196.5	179.3
Private flows	2.1	3.1	3.8	8.4	19.4	15.7	15.8	13.1	13.3	11
ODA*	2.3	2.4	3.4	2.8	3	3.6	3.8	3.9	2.5	3.5
Total	72.2	83.3	97.3	129.4	166.6	188.8	252	196	212.3	193.8
<i>Memo item: Remittances</i>	(7.9)	(9.6)	(11.5)	(13.1)	(13.9)	(18.2)	(19.8)	(17.5)	(18.2)	(19.0)

Sub-Saharan Africa

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Domestic revenue	73.7	112.3	137.5	174.4	206	233.9	281.4	214.8	272.8	340.8
Private flows	11.8	13.2	22	34.5	40.3	49.7	37.7	37.4	40.5	48.2
ODA*	18.1	25.1	27	33.1	43.4	35.3	39.9	40.5	44.3	46.5
Total	103.6	150.6	186.5	242	289.7	318.9	359	292.7	357.7	435.5
<i>Memo item: Remittances</i>	(5.2)	(6.2)	(8.3)	(9.6)	(12.8)	(18.8)	(21.7)	(20.2)	(21.1)	(22.7)

* **Unallocated ODA (shown in the Development Assistance table opposite), which reflects regional projects or programmes, is split between sub-Saharan Africa and North Africa in this table.

eODA figures for 2011 are preliminary estimates.

Sources: IMF World Economic Outlook database (April 2012); OECD-DAC International Development Statistics database; World Bank Global Development Finance (2012); World Bank Global Economic Prospects (2012). Mohapatra,Sanket, D.Ratha and A. Silwal, Outlook for Remittance Flows 2012-14, The World Bank Migration and

Private flows table (US\$ billions, nominal)

Africa

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
FDI	18.0	17.2	15.1	27.4	33.7	45.9	54.7	45.8	39.8	43.6
Other flows	-4.1	-0.9	10.7	15.5	26.0	19.5	-1.2	4.7	13.9	15.6
Total	13.9	16.3	25.8	42.9	59.7	65.4	53.5	50.5	53.8	59.2

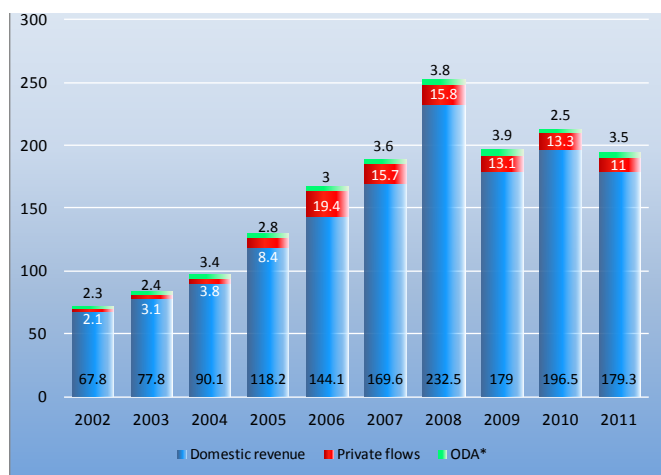
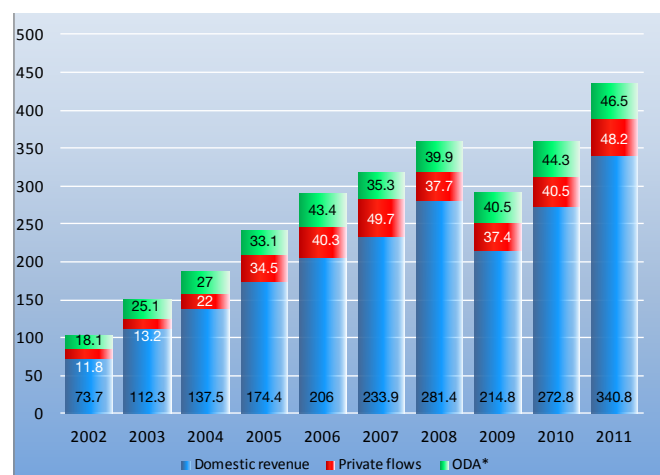
North Africa

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
FDI	2.8	3.9	3.9	8.8	17.5	17.6	17.2	13.0	11.3	8.0
Other flows	-0.7	-0.8	-0.1	-0.4	1.9	-1.9	-1.4	0.1	1.9	3.0
Total	2.1	3.1	3.8	8.4	19.4	15.7	15.8	13.1	13.3	11.0

Sub-Saharan Africa

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
FDI	15.2	13.3	11.2	18.6	16.2	28.3	37.5	32.8	28.5	35.6
Other flows	-3.4	-0.1	10.8	15.9	24.1	21.4	0.2	4.6	12.0	12.6
Total	11.8	13.2	22.0	34.5	40.3	49.7	37.7	37.4	40.5	48.2

Source: WB Global Development Finance 2012; WB Global Economic Prospects, January 2012; UNCTAD, World Investment Report 2011; IMF World Economic Outlook database, April 2012.

Development finance to North Africa (US\$ billion)

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


Sources: IMF World Economic Outlook database (April 2012); OECD-DAC International Development Statistics database; World Bank Global Development Finance (2012); World Bank Global Economic Prospects (2012). Mohapatra, Sanket, D.Ratha and A. Silwal, Outlook for Remittance Flows 2012-14, The World Bank Migration and Development Brief, December 2011.

Development assistance: overview table (all figures refer to net flows)

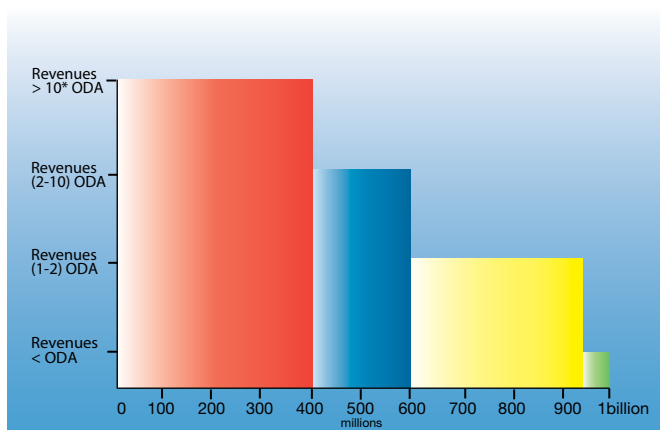
Region or country	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 (a)
Sub-Saharan Africa	17.7	24.7	26.5	32.5	42.8	34.3	39.0	39.2	42.9	45.0
North Africa	2.1	2.2	3.1	2.5	2.7	3.1	3.3	2.9	2.4	5.0 (b)
Africa, unallocated	0.6	0.7	0.8	0.8	0.8	1.4	1.5	2.3	1.6	
Total Africa	20.4	27.5	30.4	35.9	46.4	38.9	43.7	44.4	46.8	50.0
Debt relief (bilateral)	3.1	6.7	4.3	8.9	14.5	3.7	2.0	2.5	3.6	3.0
Total ODA minus debt relief	17.4	20.8	26.0	27.0	31.9	35.2	41.8	41.9	43.2	47.0
<i>Percentage</i>										
Share of Africa (%)	35.5	40.1	38.4	33.4	44.3	37.7	36.1	37.3	36.7	37.4
<i>For reference</i>										
Global ODA (US\$ billions)	58.6	69.4	79.9	107.8	104.8	104.2	122.0	119.8	128.5	133.5
ODA/GNI (%)	0.23	0.24	0.25	0.32	0.3	0.27	0.3	0.31	0.32	0.31

(a) preliminary data

(b) includes net ODA for North Africa and Africa unallocated

Source: OECD-DAC, International Development Statistics database.

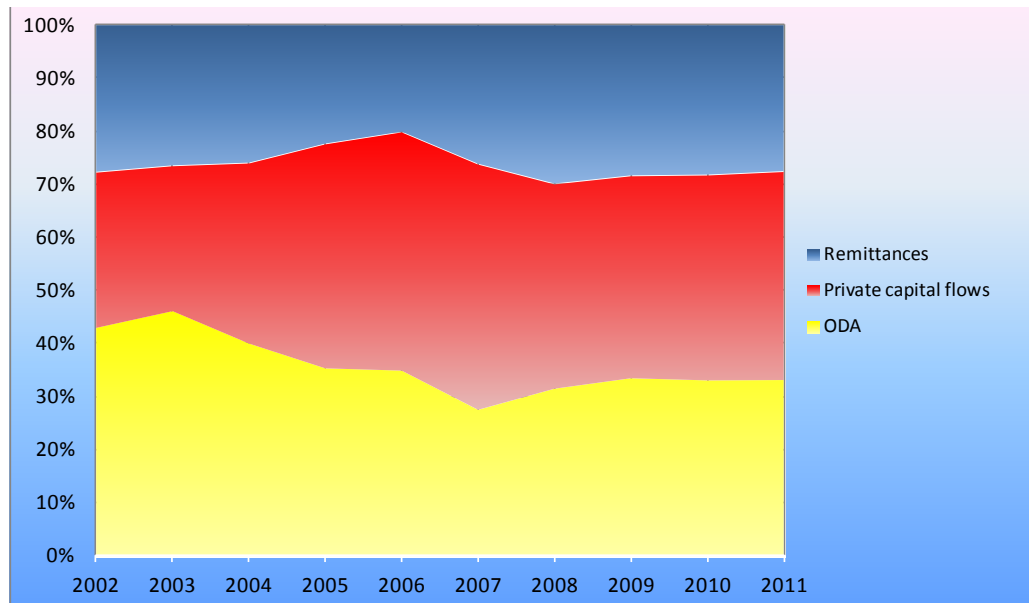
Public revenues/ODA: distribution of African population



For Africa as a whole domestic revenue is around 10 times ODA. This varies across the continent, but the basic message about the greater importance of domestic revenue applies for 95% of Africa's population. Around 400 million people live in countries where domestic revenue is more than 10 times ODA. A further 200 million live in countries where it is between twice and 10 times ODA. Around 350 million live in countries where it is between one and two times ODA. Only around 50 million live in countries where domestic revenue is less than ODA.

Source: Staff calculations using IMF World Economic Outlook database (September 2011); OECD-DAC International Development Statistics database; World Bank Global Development Finance (2011); World Bank Global Economic Prospects (2011).

External flows to Africa



Source: Staff calculations using the sources in the Development Finance Overview table above

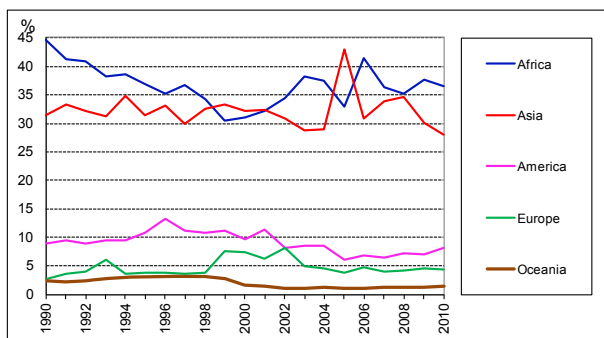
ODA to Africa by sector, Gross disbursements (US\$ millions)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Gross Disbursements (US\$ million)									
Economic activities and production	5172	5688	7161	7806	8730	11309	13952	15857	16294
Social sectors	3758	5525	7028	7588	8934	11221	13183	13804	14804
Governance	4720	3886	4523	4961	5356	6538	7948	10368	9000
Humanitarian and others	2820	3561	3912	5446	4875	4693	6579	5652	5012
Debt relief	4020	7839	7146	11328	56170	6359	3719	5363	7908
TOTAL	20491	26499	29770	37129	84065	40121	45381	51044	53018

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Shares (%)									
Economic activities and production	25.2	21.5	24.1	21.0	10.4	28.2	30.7	31.1	30.7
Social sectors	18.3	20.8	23.6	20.4	10.6	28.0	29.0	27.0	27.9
Governance	23.0	14.7	15.2	13.4	6.4	16.3	17.5	20.3	17.0
Humanitarian and others	13.8	13.4	13.1	14.7	5.8	11.7	14.5	11.1	9.5
Debt relief	19.6	29.6	24.0	30.5	66.8	15.9	8.2	10.5	14.9
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.	100.0

The total figure shown in this table refers to the total gross amounts disbursed by all donors for each year. They differ from the total figure shown in the development finance and development assistance overview tables, which shows total net ODA amounts disbursed (less repayments of loan principal during the same period, no account being taken of interest). Source: OECD, DAC Secretariat.

Regional shares of net total ODA



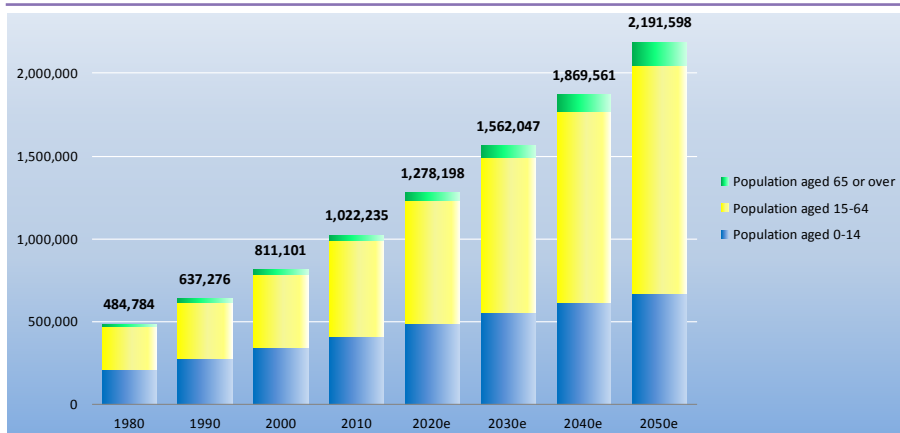
Source: OECD DAC Secretaria

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



Source: World Bank, 2012. Global Monitoring Report.

Population growth by age group



e - estimated

Source: United Nations, Department of Economic and Social Affairs, Population Division (2011). World Population Prospects: The 2010 Revision

BOXES

1. POVERTY

The picture in 2008: the World Bank's latest estimates of poverty show that the number of people living under US\$1.25 per day in Africa rose from 298 million in 1990 to 392 million in 2008. Sub-Saharan Africa has reduced the \$1.25 per day poverty rate to 47% in 2008, the first time it has dipped below 50%. And the region saw falling absolute numbers of the extreme poor between 2005 and 2008, reversing the long-run increase since 1981. This has taken place despite a period of rapid population growth. The number of people living above US\$1.25 a day has risen from 337 million in 1990 to 589 million in 2008, an increase of some 250 million over the period.

Looking ahead to 2025: the two food price spikes in 2007-08 and in 2010-11, which have estimated to have kept or pushed some 160 million people worldwide into poverty, have made the task of reducing poverty in Africa even more challenging. In

a revision of earlier projections the World Bank now estimates that high food prices together with rapid, albeit decelerating population growth will cause the number of poor in Africa to rise, although the poor will constitute only 30% of the total population by 2025 compared to almost 50% in 1990.

Looking beyond 2025: assuming that progress beyond 2025 continues at the same pace as over 2015-25, absolute numbers of poor people in Africa will rise up to 2030, although the non-poor will grow at a much faster rate. MDG1 will be reached in around 2035 in sub-Saharan Africa, with a poverty rate of 28%. At that time, almost 1.3 billion people in Africa will be living on over \$1.25 a day, but some 430 million will still be living on less than \$1.25 a day. Projecting further, under the same assumptions, it would take an additional 44 years to eradicate poverty in sub-Saharan Africa - in 2079.

	1990	2005	2008	2015a	2025a	2030b	2035b	2080
Population (million)	637.3	911.1	981.3	1141.1	1400.6	1562	1704.2	3224
North Africa	119.7	153.6	164.6	177.3	188.5	208.2	214.4	347.5
Sub-Saharan Africa	517.6	757.5	816.7	963.8	1212.1	1353.8	1489.8	2876.5
Share living below \$1.25 (%)	46.9	44.1	40	35.2	30.4	27.7	25.1	
North Africa	5.8	3.5	2.7	2.7	2.3	2.1	1.9	0.1
Sub-Saharan Africa	56.5	52.3	47.5	41.2	34.8	31.6	28.4	0
Poor (million)	296.6	400.3	390.4	402	426.1	432.7	427.2	<1.0
North Africa	6.9	5.4	4.4	4.8	4.3	4.4	4.1	(<1.0)
Sub-Saharan Africa	289.7	394.9	386	397.2	421.8	428.3	423.1	0
Non-poor (million)	340.7	509.6	588.9	739.2	974.5	1,129.3	1277	3223.7
North Africa	112.8	148.2	160.2	172.5	184.2	203.8	210.3	347.2
Sub-Saharan Africa	227.9	361.3	428.8	566.7	790.3	925.5	1066.7	2876.5

Source: a) World Bank/IMF Global Monitoring Report 2012 b) Staff calculations

2. THE AU DECISION ON A CONTINENTAL FREE TRADE AREA

The Abuja Treaty, which was signed in 1991 and entered into force in 1994, envisages the creation of an African Economic Community through a process of six stages. Two stages have been completed, with the creation of regional economic blocs in regions and the strengthening of intra-REC integration and inter-REC harmonisation. Four stages remain to be achieved, including the establishment of a free trade area and customs union in each regional bloc. The last three stages of this process are at a continental level and entail the creation of a customs union, African Common Market (ACM) and an economic and monetary union, by 2034 at the latest.

In June 2011 the East African Community (EAC), the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC) formally launched negotiations for the establishment of an integrated market of 26 Countries at the second Tripartite Summit. In January 2012, African Heads of State and Government adopted a Decision during the 18th African Union Summit for boosting intra-African trade and fast tracking the establishment of a Continental Free Trade Area (CFTA). The Decision endorsed a Framework, Road Map and Architecture for the establishment of a CFTA with the aim:

- a) To finalize the COMESA, EAC and SADC FTA initiative by 2014;
- b) To complete FTA(s) by Non-Tripartite RECs, between 2012 and 2014;
- c) To consolidate the Tripartite and other regional FTAs into a CFTA initiative between 2015 and 2016;
- d) To establish the CFTA by 2017 with the option of reviewing the target date according to progress made.

Free and unrestricted movement of goods and services, including labour, is expected to create economies of scale and estimated to expand trade flows among African countries by as much as 50% above the baseline in 2022 (adding up to USD 33.8 billion). Estimates show that intra-African trade could double from its current level of 10-12 percent to 20-25 percent provided that trade liberalization in the context of the RECs' Free Trade Areas (FTAs) and a Continental Free Trade Area (CFTA) eliminates existing tariff and non-tariff barriers and is accompanied by robust trade facilitation measures, improved trade-related infrastructure and supply-side capacity. In addition, regional integration is likely to improve efficiency across industries and create a more conducive environment for industrial diversification.

The intensification of the process for establishing a Tripartite FTA between COMESA, EAC and SADC communities is an encouraging move forward that provides a potential model for other RECs. The comprehensive Action Plan for boosting intra-African trade in the short, medium and long-term, and the Plan of Action of the Minimum Integration Programme will also help to foster economic convergence among African countries.

The CFTA, if achieved, would be a major further milestone and stepping stone towards the objective of a Continental Customs Union. There are however still key challenges to overcome, including the need for a collective financial pool to address adjustment costs due to initial unequal distribution of gains from CFTA, and making available ample financial resources to facilitate the development of competent institutions and complementary infrastructure.

3. PROGRAMME FOR INFRASTRUCTURE DEVELOPMENT IN AFRICA (PIDA)

The PIDA is a long term framework for developing infrastructure based on the African Union vision, launched in 2010. It brings together regional and continental infrastructure initiatives under the leadership of the AUC, NEPAD and the AfDB. This includes initiatives such as the NEPAD Short Term Action Plan, the NEAD Medium to Long Term Strategic Framework (MLTSF), and the AU Infrastructure Master Plans. It will be the key AU/NEPAD planning and programming document to prioritise investments in transport, energy, ICT, and trans-boundary water from 2011–2040.

PIDA Sector Studies are developing a vision for Africa's infrastructure needs, mapping out regional and continental infrastructure investment programs (Energy, Transport, Information and Communication Technologies (ICT) and Trans-boundary Water Resources) over the short, medium, and long term. In addition, these Studies are examining the required institutional arrangements, legal frameworks, and requested financing mechanisms.

PIDA delivered phase III of its study analysis at the end of 2011, reviewing the infrastructure needs of Africa by 2040, proposing a strategic framework for the development of regional infrastructure, and presenting a portfolio of projects in a priority action plan, endorsed by the AU.

Projects selected and intended to be completed by 2020 are given high priority and included in the PIDA Priority Action Plan (PAP). The PAP is made up of 51 projects and programmes: 15 energy; 24 transport; 9 trans-boundary water; 3 ICT. They focus on: (a) hydropower, interconnections, pipelines (energy); (b) connectivity, corridor modernization, ports and railways

modernisation, air transport modernisation (transport); (c) multipurpose dams, capacity building, water transfer (water); and (d) capacity building, land interconnection infrastructure, internet exchange points (ICT). While the the overall capital cost of PIDA's long-term implementation to 2040 is currently estimated at more than US\$360 billion, the overall capital cost of delivering the PAP through 2020 is expected to reach US\$68 billion or about US\$7.5 billion annually.

PIDA has also developed a planned energy infrastructure development programme up to 2040. The programme aims to increase energy access of all African people to at least 60% by 2040. This requires the growth of the energy industry by 6.2% and an annual investment of US\$40.5 billion. The selection of PIDA energy projects is based on eligibility and selection criteria jointly developed by RECs and Power Pools in Africa. These projects are also included in the RECs Master Plan. There are 29 capital investment projects in this field, which cover power generation, transmission and pipelines. Transmission projects correspond to four energy corridors in North, South, Central and West Africa, aiming at linking 16 countries.

At its Summit in Cannes in November 2011, the G20 called on the Multilateral Development Banks working in Africa to pursue implementation projects that meet the criteria of the High Level Panel on Infrastructure, in accordance with PIDA priorities, and to prioritise project preparation financing, notably the NEPAD Infrastructure Projects Preparation Facility. In January 2012, African leaders agreed to prioritise the programmes contained in the PAP of the PIDA, and to promote regional projects in energy (regional power pools), transport (corridors) and water (cross boundary water projects).

4. HARMONISING AROUND BEST PRACTICE IN DOING BUSINESS

There are many examples of good practice in doing business across Africa – and indeed, African countries have been consistently among the top 10 reformers globally in the series of ‘Doing Business Reports’ published annually by the World Bank. But there is also considerable variation, between countries and also between different indicators even within the same country, with the result that despite reforms the business environment in Africa, the continent continues to lag behind other regions. There is, however, great scope for harmonising around best practice, for instance, on a regional basis. If the best practices within each Regional Economic Community (REC) were adopted by all countries across the RECs, the global ranking of each Community would improve dramatically and regional integration would be reinforced.

Overall, the RECs would jump by an average of 140 places to between 3 and 45 in the global ranking for good business environment, compared to 132 to 184 now. Six of the eight RECs would be in the top 25, of which four would be in the top 10; the two others would be ranked 27 and 45.

Harmonising around best practice would lift:

- CEN-SAD’s overall ranking in the global table by 172 places to 4th, and put its overall business environment on a par with that of the United States;
- COMESA’s overall ranking in the global table by 144 places to 3rd, and put its overall business environment on a par with that of New Zealand;
- EAC’s overall ranking in the global table by 124 places to 8th, and put its overall business environment on a par with that of South Korea;

- ECCAS overall ranking in the global table by 139 places to 45th, and put its overall business environment on a par with that of Rwanda;
- ECOWAS’ overall ranking in the global table by 160 places to 16th, and put its overall business environment on a par with that of Thailand;
- IGAD’s overall ranking in the global table by 136 places to 17th, and put its overall business environment on a par with that of Malaysia;
- SADC’s overall ranking in the global table by 145 places to 4th, and put its overall business environment on a par with that of the United States; and
- UMA’s overall ranking in the global table by 105 places to 27th, and put its overall business environment on a par with that of Belgium.

Making progress will require concerted action at national and sub-regional levels. Practical next steps might include:

- identifying and reaching regional consensus on best practices;
- setting time-bound targets based on agreed regional best practice;
- sharing experience on how this best practice has been achieved; and
- using this experience to develop programmes to carry out the necessary regulatory reforms.

Examples from other developing regions maybe useful in this context. The Asia-Pacific Economic Cooperation organisation (APEC), for example, uses the Doing Business reports to identify potential areas of regulatory reform, to champion economies that can help others improve, and to set measurable targets.

5. FOURTH HIGH LEVEL FORUM ON AID EFFECTIVENESS: BUSAN

Why was the Fourth High Level Forum on Aid Effectiveness important?

Held at the end of 2011 in Busan, Republic of Korea, the Fourth High Level Forum on Aid Effectiveness marked a turning point in international thinking on aid and development. This major conference delivered a number of agreements, the most important of these being the Busan Partnership for Effective Development Co-operation.

The Busan Partnership agreement brings together a wider-than-ever group of state and non-state actors, including African governments and their bilateral and multilateral partners - including emerging economies - around a set of shared principles for development co-operation. While the Paris and Accra declarations of 2005 and 2008 respectively focused in large part on the effectiveness of “traditional” aid flows, Busan recognised that these resource flows are provided alongside a much wider range of co-operation efforts that support development.

What was agreed?

While the Busan Partnership agreement saw developing countries and their development partners reaffirming the commitments that they made in the Paris Declaration and Accra Agenda for Action, it also saw a much broader range of stakeholders endorsing a set of common principles as a foundation for co-operation:

- Ownership of development priorities by developing countries;
- Focus on results;
- Inclusive development partnerships;
- Transparency and accountability to each other.

The agreement also stresses the interdependence and need for coherence across all public policies – not just those focused on development – so that countries can make full use of the opportunities presented by international investment, trade, and to expand their domestic markets. Complementary agreements on a range of topics including results, transparency, fragile states and climate finance also enabled African countries to join others in spearheading the implementation of specific commitments.

Why is the Busan agreement important for Africa?

African governments played a key role in the negotiations at Busan. Along with other developing countries, they drove the negotiation of the Busan Partnership agreement and used the High Level Forum as an opportunity to hold their partners to account for implementing previous commitments.

Forty African governments led a major exercise in 2011 to monitor the implementation of the Paris Declaration on Aid Effectiveness, and the evidence generated by these efforts helped to shine the international spotlight on unfinished business.

Among other priorities, African governments called for more action on the part of their partners to untie aid, make greater use of countries’ own systems for the implementation of aid-funded activities, and take concrete steps to improve transparency around development co-operation. The Busan agreement reflects a step forward in these areas.

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ACRONYMS

ACPC	African Climate Policy Centre
ACSP	Africa Carbon Support Programme
AfDB	African Development Bank
AfDF	African Development Fund
AfT	Aid for Trade
AF	Adaption Fund
AFSI	L'Aquila Food Security Initiative
AGR	Africa Governance Report
AIDS	Acquired Immune Deficiency Syndrome
AMC	Advanced Market Commitments
AMCEN	African Ministerial Conference on the Environment
AMISEC	African Mission in Support of Elections in the Comoros
AMISOM	African Mission in Somalia
APF	Africa Partnership Forum
APP	Africa Progress Panel
APRM	African Peer Review Mechanism
APSA	African Peace and Security Architecture
ATAF	African Tax Administration Forum
ATT	Arms Trade Treaty
AU	African Union
AUC	African Union Commission
AUCPOC	AU Convention on Preventing and Combatting Corruption
BITs	Bilateral Investment Treaties
CAADP	Comprehensive Africa Agriculture Development Programme
CAHOSCC	Conference of African Heads and Governments on Climate Change
CARMMA	Campaign on Accelerated Reduction on Maternal Mortality in Africa
CBD	Convention on Biological Diversity
CDM	Clean Development Mechanism
CEDAW	Convention on the Elimination of all forms of Discrimination against Women
CIF	Climate Investment Funds
CO₂	Carbon Dioxide
COMESA	Common Market for Eastern and Southern Africa
COP	Conference of the Parties

CPIA	World Bank's Country Policy and Institutional Assessment
DAC	Development Assistance Committee
DTCs	Developing and Transition Countries
EAC	East African Community
EASSy	East Africa Submarine Cable System
ECOWAN	ECOWAS Wide Area Network
ECOWAS	Economic Community of West African States
EDF	European Development Fund
EFA	Education for All
EISA	Electoral Institute for the Sustainability of Democracy in Africa
EITI	Extractive Industries Transparency Initiative
EPI	Environmental Performance Indicator
EU	European Union
FAO	Food and Agriculture Organisation
FDI	Foreign Direct Investment
FTA	Free Trade Area
FTI	Fast Track Initiative
G-8	Group of Eight
G-20	Group of Twenty
GDP	Gross Domestic Product
GEF	Global Environment Facility
GFATM	Global Fund for AIDS, Tuberculosis and Malaria
GHG	Greenhouse gas
GNI	Gross National Income
GPOA	Gender Plan of Action
HIPC	Highly Indebted Poor Country

HIV/AIDS	Human Immunodeficiency Virus/ Acquired Immune Deficiency Syndrome
IATI	International Aid Transparency Initiative
IBRD	International Bank for Reconstruction and Development
ICA	Infrastructure Consortium for Africa
ICTs	Information and Communication Technologies
IDA	International Development Association
IEA	International Energy Agency
IFAD	International Fund for Agricultural Development
IFFIm	International Financing Facility for Immunisation
IFI	International Financial Institution
IFPRI	International Food Policy Research Institute
IHP	International Health Partnerships
IMF	International Monetary Fund
IT	Information Technology
ITNs	Insecticide Treated Nets
LDCF	Least Developed Countries Fund
LDCs	Least Developed Countries
LICs	Lower Income Countries
MDB	Multilateral Development Bank
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MRDE	Mutual Review of Development Effectiveness
MYAP	Multi-Year Action Plan on Development
NAB	New Arrangements to Borrow
NAMA	Nationally Appropriate Mitigation Actions
NAPA	National Adaptation Programme of Action
NEPAD	New Partnership for Africa's Development
NPCA	NEPAD Planning and Co-ordination Agency
ODA	Official Development Assistance
PAP	PIDA Priority Act Plan
PEPFAR	US President's Emergency Program for AIDS Relief
PFM	Public Financial Management
PIDA	Programme for Infrastructure Development in Africa

PPI	Private Participation in Infrastructure
PPP	Public-Private Partnership
PRSP	Poverty Reduction Strategy Paper
PSC	Peace and Security Council
RCIP	Regional Communications Infrastructure Programme
REC	Regional Economic Community
REDD	Reducing Emissions from Deforestation and Forest Degradation
SACU	Southern African Customs Union
SADC	Southern African Development Community
SALWs	Small Arms and Light Weapons
SCCF	Special Climate Change Fund
SDR	Special Drawing Rights
SIPRI	Stockholm International Peace Research Institute
SSA	sub-Saharan Africa
StAR	Stolen Assets Recovery Initiative
TB	Tuberculosis
TNA	Technology Needs Assessments
UN	United Nations
UNAIDS	The Joint United Nations Programme on HIV/AIDS
UNAMID	United Nations-African Union Mission in Darfur
UNCAC	United Nations Convention Against Corruption
UNCCD	United Nations Convention to Combat Desertification
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNFCCC	United Nations Framework Convention on Climate Change
UNOSAA	United Nations Office of the Special Adviser on Africa
UPE	Universal Primary Education
US	United States
WEF	World Economic Forum
WHO	World Health Organization
WTO	World Trade Organization

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