

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

2013 Mutual Review of Development Effectiveness in Africa

The ECA-OECD 2013 *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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ECA-OECD

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

2013



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The 2013 *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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2013



Preface

Africa is changing. The continent is starting to reap the benefits of years of better macroeconomic management, and deeper integration into the world economy. Despite the weak and uneven recovery from the crisis in many advanced economies, six of the 10 fastest growing economies in the world in 2012 were in Africa. Domestic sources of growth, domestic revenues and investment are growing. More people are being lifted out of poverty, and more children are in school. Stronger institutions and democracies in many parts of the continent have created much optimism, high expectations and huge potential. Nevertheless, major challenges remain. Africa has made significant progress towards reaching the MDGs but this progress is uneven and too slow. Poverty remains a key challenge, widespread unemployment, especially among youth, contribute to persistent inequality, and climate change poses a growing threat to long-term development.

In order to maintain the progress achieved to date and to meet longer-term challenges, it is important for both African governments and their international partners to meet their development commitments, and for the results to be assessed. That is the purpose of this sixth joint “Mutual Review of Development Effectiveness in Africa” by the Economic Commission for Africa (ECA) and the Organisation for Economic Co-operation and Development (OECD). 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. In addition to reviewing the delivery of commitments and the results achieved, it also considers future policy priorities.

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.

The report is published just over a decade after the establishment of the African Union and NEPAD, which can now be seen as a turning point on the continent. Over this

period, there has been real progress on the part of African governments in delivering commitments to improve political and economic governance, and increase domestic resource mobilisation. Domestic revenue provides overwhelmingly the main source of finance for Africa’s development efforts. Closer regional integration is supporting this process. Access to primary education and health services has been improved, but Africa continues to suffer under significant gender and regional disparities. The region has the highest rate of maternal and under-5 mortality. Much remains to be done to ensure the quality and sustainability of growth, boost employment, tackle infrastructure constraints, galvanize the potential of women and offer the youth better prospects, and accelerate progress on the most ‘hard-to-reach’ MDGs, including improving access to clean water and sanitation, and reducing maternal and child mortality.

Whilst the development process in Africa is being led by African governments, stakeholders and citizens, it is also linked to what happens in the wider global economy and to effective international support. Development partners have made an important contribution, including through substantial Official Development Assistance, even though earlier commitments have still not been met in full. It is worrying that budgetary duress in OECD member countries has led to a second successive fall in total aid, but encouraging that, in spite of the crisis, nine countries still managed to increase their aid. As the world approaches the 2015 deadline for achieving the Millennium Development Goals, it is important that the trend in aid away from the poorest countries will be reversed. Aid remains an essential pillar to achieve the Goals.

The establishment of the Global Partnership for Effective Development Cooperation, following the Fourth High Level Forum On Aid Effectiveness in Busan in 2011, the report of the UN High Level Panel on the global development agenda beyond 2015, and the increased attention being given to the issues of tax and transparency including through the High Level Panel on Illicit Financial Flows, established by ECA, and in the G8 and G20, are also important steps forward. At the ECA, this approach is being strengthened by a sharper focus.

on inclusive growth and the economic transformation of the continent. At the OECD, it is being strengthened with an OECD Strategy on Development focused on knowledge sharing, growth enhancing policies and policy coherence.

Against this background, the report identifies the following priorities for Africa and its development partners.

Africa:

- To maintain the momentum of political and economic reform, and their collective efforts to bring greater peace and security to the continent;
- To deepen the process of regional integration, including in the key areas of trade and infrastructure;
- 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 in the run-up to 2015.

Development partners:

- To deepen co-operation in key areas of economic governance such as preventing the erosion of tax bases and tackling illicit capital flows, in order to support Africa's efforts to increase domestic revenue;
- To continue to resist protectionist pressures, and re-double efforts to make the best use of regional and multilateral trade agreements for development;
- To resist pressure on aid levels and increase aid to Africa in line with previous commitments; and
- To facilitate Africa's enhanced participation in any new arrangements for global governance.

The international community:

- To seize the opportunity of the new Global Partnership for Effective Development Cooperation to accelerate progress towards achieving the MDGs by 2015; and
- To work together to build a development agenda beyond 2015, which will promote global prosperity, reduce poverty and advance social equity and environmental protection.

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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. NEPAD Heads of State and Government and AU/ECA Finance Ministers have reaffirmed the value of this exercise. The 2013 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 changing: the continent has recovered from the global crisis of 2009 and this should be sustained subject to wider global conditions. Following a dip in growth to 2.7% in 2011 due to factors in North Africa, Africa's overall growth rate rebounded to 5% in 2012, and is projected to remain strong at 4.8% in 2013 and 5.1% in 2014. 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. 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 the global economic and financial environment, which is likely to remain difficult in the near term. The business environment has continued to improve, if at a slower rate, but more needs to be done to catch up with other developing regions, and enhance competitiveness. 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; to

accelerate regional integration; to continue to improve the environment for both domestic and foreign investment; to accelerate action to overcome infrastructure constraints at both the national and regional levels, and to implement the Rio+20 strategy for securing sustainable economic growth.

Investing in people

(iv) Stronger economic performance since 2000 has contributed to some progress towards the MDGs: this varies by sub-region, country and goal, but the latest 2012 MDG Report confirms that it is still broadly moving in the right direction. According to the Global Monitoring Report, the region has achieved more than 60% 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 reducing poverty and child and maternal mortality, and improving access to sanitation. Starting from a lower base also means that Africa is still behind other regions for many indicators. The latest available data shows only a marginal change in the poverty rate in Africa excluding North Africa, from 49.2% in 2008 to a provisional figure of 48.5% in 2010. Aggregate MDG performance masks major disparities by gender income group and location in access to high quality education and health services, and continued concerns on food security connected both to climate conditions, and to regional instability;

(vi) Pointing again to key priorities: increasing public expenditure on social spending, including social protection of vulnerable populations, with emphasis on improving the quality of services; tackling the unequal opportunities due to gender, income and location biases; increasing employment opportunities in particular to address the problem of youth unemployment, and tackling issues of governance particularly in post conflict states where progress is lagging.

Good governance

(vii) There have been some positive developments including: a general improvement in the quality of elections, the successful reversal of unconstitutional changes of government, and progress towards restoring stability in Somalia. 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 has been serious armed conflict in one region, resulting in part from wider regional and international factors, border tensions in another region, and increased instances of terrorist activity. Much also 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 there has been continued engagement by both the G-8 and G-20 on development issues, alongside the launch of the Busan Global Partnership for Effective Development Cooperation, and the establishment of a UN High Level Panel to advise on the global development agenda beyond 2015. The decisions taken in these wider fora, whilst not specific to Africa, are profoundly important for its development;

(x) Pointing again to key priorities: the AU and regional organisations should take firm action to restore and maintain peace and stability in conflict-affected regions, and to tackle the problem of terrorism; they should in parallel continue to promote free and fair elections and broader improvements in political governance, and to maintain the 'zero-tolerance' approach to unconstitutional change; the wider international community should support African-led efforts in all these areas and should work in parallel to improve international economic governance, including through the G-8 and G-20 processes.

Financing for development

(xi) Domestic revenue continued to increase in 2012 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\$509 billion, fell sharply to US\$389 billion in 2009 with the bulk of the decline occurring in oil-exports, had recovered to US\$531 billion by 2011 driven by strong revenue performance in Africa (excluding North Africa) and rose again in 2012 to reach a new record high of US\$598 billion. There has been a significant reduction in the number of countries (now reduced to 9) 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 in Africa (excluding North Africa) rose slightly to reach a new record high in 2012 but continued to decline in North Africa: The overall total of US\$57.5 billion was unchanged and is slightly over 80% of the record US\$69.8 billion in 2007. Remittances proved unexpectedly resilient in 2009 and rose again from US\$56.8 billion in 2011 to US\$60.3 billion in 2012, a four-fold increase over the preceding decade. This growth was particularly important in North Africa. 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 fell in 2012 and the 2005 commitments have still not been met: ODA to Africa is estimated to have fallen to around US\$46 billion in 2012. This is significantly below the level of the 2010 target implied by commitments in 2005. Major further efforts are needed if 2005 commitments are to be met in full. Progress in delivering the Paris and Accra commitments on aid effectiveness has been slow, and more efforts will be needed to meet the Busan commitments on aid untying, transparency and predictability in the agreed timescale;

(xiv) Some significant progress was made on climate finance at recent UNFCCC COP meetings both in terms of finance and, more importantly for Africa, the strong support for REDD+. However efforts to secure adequate and sustained funding for climate change, and to rationalise and simplify funding mechanisms, 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; action by the wider international community to prevent the erosion of tax bases and the consequent loss of tax revenues including through transfer pricing practices, and to tackle illicit financial flows; action by development partners to increase ODA to Africa over 2013-2015 in line with previous commitments, to deliver their Busan commitments on development effectiveness, and to deliver 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 sets of commitments:

(a) to reduce supply-side constraints, improve competitiveness and promote industrialisation and diversification; (b) to take practical steps to reduce trade barriers and facilitate trade; and (c) to deepen regional integration.

Recent commitments emphasise regional integration, removal of tariff and non-tariff barriers to intra-African trade and modernising domestic and regional trading systems. In January 2012, the African Union (AU) 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. Trade targets include a doubling of Africa's share of global trade by 2040.

Development partners: have reiterated, including at the WTO and in the G-20 and G-8, commitments to: (a) maintain trade finance, keep markets open, roll back new protectionist measures, and refrain from raising new trade barriers or imposing new export restrictions; (b) bring the Doha Development Round to a balanced and ambitious conclusion; (c) make progress towards duty-free and quota-free (DFQF) market access for Least Developed Country (LDC) products; (d) support enhanced trade capacity, including specific commitments in the 2010 G-20 Multi Year Action Plan on Development, to at least maintain global Aid for Trade (AFT) levels beyond 2011 above the 2006-08 annual average.

What has been done to deliver on these commitments?

Africa: Supply: African governments and Regional Economic Communities (RECs) are tackling supply-side and competitiveness problems through regional initiatives that build productive capacity, including the Programme for Infrastructure Development in Africa (PIDA) (see Topic 3), the Comprehensive Africa Agriculture Development Programme (CAADP) (see Topic 2), Africa's Agro-industry and Agribusiness Development Initiative (3ADI) and the Accelerated Industrial Development in Africa (AIDA) action plan; **Tariff barriers:** have fallen but still have further to go. African average applied import tariffs (excluding North Africa) fell from 16.7% to 7.8% between 2000-2010, through unilateral measures and regional integration protocols; **Regional integration:** Adoption of an Action Plan for Boosting Intra-African Trade in 2012 and crea-

tion of the CFTA (see also Box 2) have accelerated regional initiatives, notably the establishment of a COMESA-EAC-SADC Tripartite FTA by 2014 - an integrated market of 26 countries accounting for 54% of Africa's GDP in 2011 - and the establishment of FTAs in other RECs by the same date. Inter-RECs coordination is being reinforced by the newly created High-level African Trade Committee (HATC), composed of chairs of RECs and African heads of state.

Development partners: Protectionism: At the 2012 Los Cabos Summit G-20 leaders expressed deep concern over rising protectionism, with 124 new trade restrictive measures introduced between October 2011 and April 2012. They extended their standstill commitment to end-2014. The pace slowed to 71 new measures between May and September 2012. Nevertheless, these add to restrictions established since the beginning of the global crisis, most of which remain in effect: restrictive measures put in place since October 2008, excluding those since terminated, cover around 3% of world merchandise trade (4% of trade of G-20 economies); **Doha and preferential treatment:** The Doha Round remains stalled. 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 allow preferential treatment to LDC services and service suppliers, and all but one developed country member currently provide DFQF market access to 97% of products originating from LDCs. There has, however, been uneven progress in Africa's bilateral preferential arrangements with its major trading partners. Important progress was made on specific issues with one major trading partner. Most Economic Partnership Agreements with another major trading partner are still under final negotiation; **African Aft:** rose from an annual average of US\$11.4 billion over 2006-2008 to US\$17.4 billion in 2010, making Africa the largest Aft recipient. Economic infrastructure received the greatest support, followed by productive capacity. Aft dropped to US\$13.1 billion in 2011, although still above the 2006-08 average. The next global review will be available in July 2013.

What results have been achieved?

Africa's merchandise exports grew rapidly from US\$148.5 billion in 2000 and to US\$560.8 billion in 2008. After a sharp fall in 2009 due to the contraction of world trade combined with a fall in fuel, agricultural and food commodity prices, Africa had rebounded in 2012 recording an all-time high merchandise export

More needed to tackle supply side constraints, reduce trade barriers, deepen intra-African trade and deliver Doha commitments.

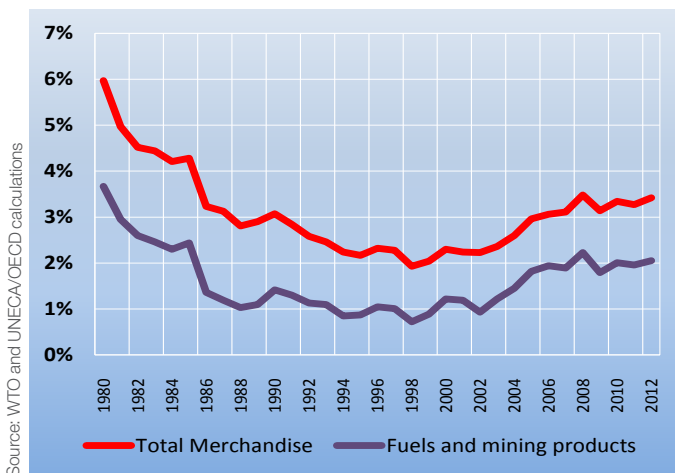


value of US\$626 billion. Key factors were the wider recovery in world trade and strengthening commodity prices. This figure represented 3.4% of total world exports – up from 2.3% in 2000, but still only around half the level of the early 1980s. There has been a corresponding growth in Africa as an export market: Africa's share of global merchandise imports has risen from 2% to 3.3% over this period. The low share of intra-regional trade means that these are mainly imports from the rest of the world.

Africa's merchandise trade balance was positive over most of the decade, moving from a surplus of US\$18.8 billion in 2000 to a surplus of US\$80 billion in 2008. It fell into deficit in 2009 due to a deterioration in Africa's terms of trade resulting from the crisis. With a recovery in the terms of trade since 2009 it has returned to surplus, though at a lower level - US\$22 billion in 2012. However African exports remain poorly diversified. In 2012 60% were oil and mining products, a figure which has increased since 2000 (53%) due to the boom in commodity prices. In 2011, African export of manufactured goods accounted for less than 1% of global manufactured exports, and in 2012 its export of services accounted for 2.1% of global commercial services exports. In contrast, Africa's export markets

have become more diversified. Europe and North America continue to absorb most African merchandise exports, though the share to developing countries is increasing dramatically, from 28% to 43% between 2005 and 2011. China has gradually progressed from one of Africa's smallest trading partners in 2001 to the largest export market and largest source of imports by 2012. Intra-regional trade remains low, constituting only about 10% of total African trade (imports and exports), on average, over the last decade. However, this is gradually increasing, with proportions rising to 12% and 13% of total African exports in 2010 and 2011. The share of intra-African manufacture exports is growing even faster, reaching 26% of total African manufacture exports in 2011 versus 17% in 2005. Though this share is significantly lower than in Asia (53%) and South and Central America (23%), it reflects important progress in some RECs, such as COMESA and EAC, where intra-regional trade has been booming in recent years as a result of improving trade facilitation and growing regional demand.

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



What are the future priority actions?

Africa

- Continue to address supply-side constraints and pursue economic diversification to improve productive capacities and competitiveness (see also Topic 3);
- Continue to remove constraints to trade, including reduction of tariff and non-tariff barriers and further trade facilitation measures;
- Accelerate regional economic integration, finalise the tripartite FTA and establishment of FTAs within other RECs by 2014 and work towards the establishment of the CFTA by 2017.

Development partners

- Dismantle the restrictive trade measures put in place since the global financial and economic crisis;
- Agree with other parties how to bring the Doha Round to a balanced and ambitious conclusion, whilst also striving for early harvest agreements, including on trade facilitation;
- Conclude outstanding negotiations on bilateral preferential trade agreements with Africa.

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 CAADP as the overarching framework for agricultural development and investment. The AU has adopted 2014 as the Year of Agriculture and Food Security.

Development partners: Development partners committed to mobilise US\$20 billion over three years for agricultural development and food security (see also Topic 9) under the 2009 L'Aquila Food Security Initiative (AFSI). In 2012 G-8 leaders committed to promptly fulfill outstanding L'Aquila pledges. Under the New Alliance for Food Security and Nutrition, aimed at lifting 50 million people out of poverty over the next 10 years, they committed continued support for sustained and inclusive agricultural growth aligned to country plans. The food security pillar of the G-20 Multi-Year Action Plan on Development, adopted at Seoul in 2010, endorsed enhanced policy coherence on agriculture and food security and commissioned work on food price volatility and responsible agricultural investment. The G-20 subsequently endorsed an Action Plan on Food Price Volatility and Increasing Agricultural Production and Productivity at its 2011 Summit in Cannes, and agreed to further work at the 2012 Summit in Los Cabos.

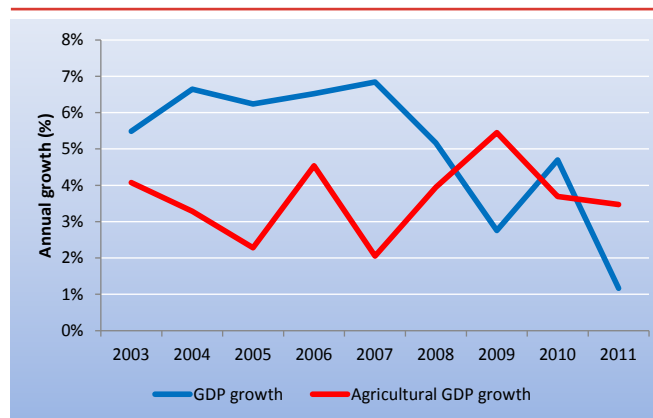
What has been done to deliver on these commitments?

Africa: Monitoring progress towards the 10% Maputo target is hindered by poor data, but suggests a mixed picture. For Africa as a whole, public expenditure in agriculture increased at a slower rate in 2003-09 compared to 1995-2003, and the share of total expenditure fell from 6% to 5.3%. Some sub-regions, however, particularly in eastern and southern Africa, show improved performance in both indicators, with Africa's average annual increase in public agriculture expenditure (excluding North Africa) doubling from 8%

to 15% over 2003-09, and the share in total expenditure rising from 6% to 7%. However, since 2003 only 10 of 34 countries for which data is available met or surpassed the CAADP 10% target, and only 7 have consistently surpassed the target in most years. Despite the higher profile which CAADP has given to agriculture, with over 40 countries signing CAADP Compacts, and despite some significant increases in public expenditure since 2003, African agriculture continues to suffer from under-investment. 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.

Development partners: Total pledges under AFSI amounted to US\$22.2 billion, of which US\$15.4 billion represented already planned expenditure and US\$6.8 billion additional funding. By March 2013, 74% (around US\$16 billion) had been disbursed globally to both agriculture and other sectors addressing food security. OECD data shows that assistance specifically to agriculture in Africa increased from US\$1.9 billion in 2008 to US\$3.0 billion in 2011. The total over 2009-11 was US\$8.1 billion. The 2011 G-20 Action Plan included general commitments spanning support for agricultural growth and productivity, improvements to market information and functioning, and inter-

African annual GDP and agricultural GDP growth (%)



Source: World Bank, 2013; WEO/UN-DESA 2012

Some countries increasing expenditures, but agricultural growth remains below 6%, below economic growth and declining in some cases. More needed on investment, trade and policy reform.



national co-ordination. Specific initiatives launched the same year included an International Research Initiative for Wheat Improvement (IRIWI) and the Agricultural Market Information System (AMIS) (see also Topic 9). Progress on wider policy issues relating to agriculture has been more uneven. There have been important changes to agricultural policies in many OECD countries over the past decade. Whilst total support to the sector has risen to an annual average of \$389 billion in 2009-11, the share provided in the most market distorting form (price support and input subsidies) has fallen from 90% in the 1980s to 58%, reducing the international spill-over effects. However, significant distortions remain and in the context of high food prices new policy coherence issues have emerged, including the use of biofuel mandates and export restrictions in non-OECD countries. Policies in emerging economies are increasingly important in all these areas, as well as those in OECD countries.

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. Although 10 countries have exceeded the 6% CAADP target, and another 4 have achieved growth of between 5-6%, overall growth has remained significantly below 6%: 3.6% for Africa as a whole over 2003-11 (down from 4.7% over 1995-2003) and 3.4% excluding North Africa (down from 4.1%).

Productivity: Productivity increased since the mid-1980s, although this represents catching up with levels achieved in the early 1960s. Production increases depended heavily on expansion of cultivated land. African yields per hectare for cereals are among the lowest in the world: they rose marginally from 1.1t/ha in 1995-2003 to 1.3t/ha in 2003-2010, compared to over 5 t/ha in high income countries. Average fertiliser consumption has not increased significantly, stagnating around 11-13kg/ha in the last decade, less than 10% of the world average and well below the Abuja 50 kg/ha target. Only three countries exceeded this target in 2009.

Access to land and environmental sustainability: Arable land increased from around 180 million ha in 1989 to 224.4 million ha in 2009, but this has not kept pace with population growth over the period. Only 6% of arable land is irrigated and less than 3 million ha have been brought under irrigation over 1989-

2009 (see also Topic 3). It is estimated that as much as 70% of Africa's cultivable land remains uncultivated. International investors are leasing or purchasing large areas of land for biofuels, food crops and forestry development. Estimates of the total area of international land acquisitions in Africa between 2000-2010 range from 17 million ha to 34 million ha.

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. Its share of global agricultural exports has risen marginally from 3.2% in 2005 to 3.6% in 2011. Its share of food product exports is even lower: 3.4% in 2011 (up from 3.1% in 2005).

What are the future priority actions?

Africa

Accelerate CAADP implementation by:

- Continuing policy and institutional reform, particularly to create a predictable policy framework that fosters responsible private investment and addresses market failures;
- Increasing public investment, including in irrigation, rural infrastructure and research and development;
- Accelerating efforts to improve agricultural productivity, with special attention to women and smallholders and to the full implementation of the Abuja Declaration on Fertilizers;
- Taking the potential impact of climate change into account in the design and implementation of policies.

Development partners

- Deliver commitments under AFSI and the New Alliance for Food Security and Nutrition (see also Topic 9);
- Intensify efforts to promote greater coherence between agriculture and development policies, including through eliminating market distorting support measures, continuing to reduce trade restrictions on both exports and imports, and avoiding detrimental spill-over effects from biofuel mandates (see also Topic 1);
- Promote responsible investment in agriculture in line with recognised international principles.

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

Africa: African governments have emphasised infrastructure – energy, transport, water and ICT – making commitments to strengthen national planning frameworks, reform and harmonise the regulatory environment, mobilise increased private and public resources and develop regional and continental programmes. The 2010 Programme for Infrastructure Development in Africa (PIDA) provides a long-term framework for infrastructure development and 51 projects contained in its Priority Action Plan (PAP) were prioritised in 2012. Governments have also agreed to support the Presidential Infrastructure Champion Initiative (PICI). Targets include: (a) 35% of the population have access to electricity by 2020; (b) proportions living beyond 2 km from an all-season road halved by 2015; (c) proportions 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, help mobilise private sector participation and enhance implementation capacity (see also Topic 4), with specific commitments to promote clean energy and energy efficiency. The infrastructure pillar of the Seoul Multi-Year Action Plan adopted in 2010 committed the G-20 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 in 2011 by the High Level Panel on Infrastructure (HLP).

What has been done to deliver on these commitments?

Africa: Efforts are underway to promote national and regional infrastructure development. Government financing is substantial, although volumes have been falling, notably since the crisis, with public sector investment at 1-2% of GDP. Financing levels are roughly half the estimated US\$93 billion needed annually through to 2015 to sustain 7% growth rates. Inefficiencies caused by weak planning and regulatory frameworks and implementation have contributed to this financing gap. Most countries lack planning frameworks or long-term strategies. The situation is significantly better for road transport and ICT although the energy and water and sanitation sectors

are improving. 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 and trade facilitation with a focus on land-locked countries. To address these challenges Africa has taken concerted action to increase investment through public-private partnerships (PPPs) and build economies of scale through regional development corridors and power pools. However, PPP financing has dipped since the crisis. In 2011, 18 infrastructure projects relied on PPPs - in line with the last three years but much lower than the 2005 peak of 42 projects and a small share of the 343 projects recorded across all developing regions. PPP investments fell 13% in real terms between 2010-2011 to US\$11.4 billion, 20% lower than the 2008 peak. Telecoms accounted for the largest share (80%). On regional progress, cross-border trading of power has begun in two regions and initiatives have been launched in other sectors. An Institutional Architecture has been agreed by AU members to scale up PIDA implementation, which has suffered from bottlenecks and limited resources and implementation capacity. The PICI is also expected to help and RECs are taking a more active role in infrastructure planning, evidenced by the SADC Regional Infrastructure Development Master Plan. However, despite these efforts, the slow and uneven pace of development remains a concern.

Development partners: ODA has continued to increase for infrastructure, within a broader dynamic financing environment. Infrastructure ODA disbursements reported by the OECD doubled from US\$2 billion in 2002 to around US\$4.25 billion in 2006, and doubled again to US\$8.1 billion in 2010 and US\$8.65 billion in 2011. Almost half went to transport and storage, the remainder divided between water supply and sanitation and energy (with a small element for communications). Total funding commitments from all sources fell back to 2009 levels in 2011 at US\$41.5 billion, down from US\$56 billion in 2010. Commitments from members of the Infrastructure Consortium for Africa (ICA) fell particularly, down to US\$11.7 billion (mainly in non-ODA commitments to transport and energy) with smaller reductions from the private sector, down to US\$10 billion in 2011. Chinese commitments rose from US\$9 billion to US\$15 billion, making it for the first time the largest single source of external finance as measured by commitments.

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



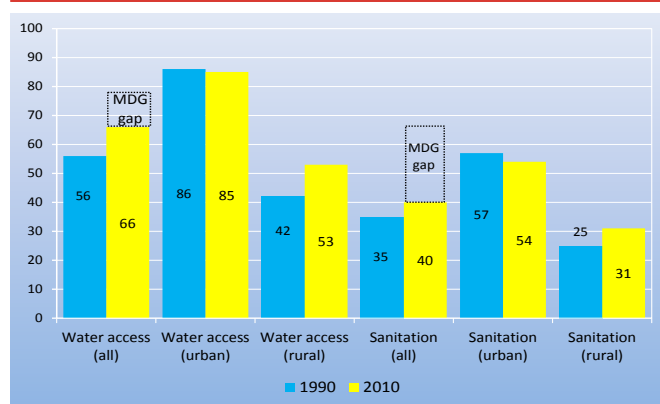
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What results have been achieved?

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 and power generation and distribution. Rural access across all sectors is even lower. **Energy:** In North Africa access to electricity is almost universal; in the other four sub-regions only 31% of the population had access in 2010, the lowest level in the world. Small, inefficient national power systems combined with reliance on expensive oil-based generation makes African generating costs exceptionally high (3.5 times that of South Asia). 30 countries have experienced energy crises in recent years. While universal access requires 7,000 MW of new power generation capacity annually, Africa has been installing only 1,000 MW. Investment in modern renewable energy has been limited. **Transport:** The paved road access rate (19%) in Africa (excluding North Africa) is substantially lower than other regions. Only one-third of the rural population is within 2 km of an all-season road, compared with two thirds in other developing regions. There are only 34 motor vehicles per 1000 people and transport

costs are much higher than in other developing regions, compounded by high profit margins for trucking companies. **Water and sanitation:** Access to improved water in Africa (excluding North Africa) rose by from 56% in 1990 to 66% in 2010, but the rate of progress is too slow to hit the MDG target of 78% in 2015. There is a stark disparity between provision in urban and rural areas (85% and 53% respectively). Progress on sanitation has been even slower - from 35% in 1990 to 40% in 2010, far short of the rate of progress needed to reach the MDG target of 67.5%. The absence of water storage and irrigation infrastructure has led to severe under-utilisation of the continent's resources. Similarly, only 7% of Africa's hydropower potential outside North Africa has been tapped. **ICT:** Mobile telephony has been a success and has adapted to local needs (e.g. supporting mobile money transfers). Mobile cellular subscription has risen from 18% to 53% over 2006-2011 (although still lower than other regions such as South Asia (69%) and the 86% global average). The number of internet users is estimated to have grown from 3.5% to 12.3% over 2006-2011.

Access to water and sanitation (% of population)



Source: World Bank Doing Business Report, 2013

What are the future priority actions?

Africa

- Rapidly implement PIDA PAP, operationalise the Institutional Architecture for Infrastructure Development in Africa and maintain support to the PICI;
- Continue to improve efficiency of existing infrastructure, reduce costs, and promote private sector participation by revitalising PPPs and encouraging local investment and entrepreneurial development;
- Accelerate implementation of regional initiatives and harmonisation of regulatory frameworks.

Development partners

- Maintain increased financial support, including through the ICA platform, with a stronger emphasis on large regional and soft infrastructure projects;
- Implement the G-20 HLP recommendations and the MDB action plan in line with PIDA;
- Use aid to leverage increased private investment and innovative financing solutions by supporting an 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 and reiterated in the 2010 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 its role in development through 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 and commissioned work on maximising the value added of private investment, promoting responsible investment and supporting SMEs. In 2012, the G-20 committed to support initiatives improving food security for the poor and vulnerable by encouraging private sector innovation. 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 is continuing to improve its regulatory environment, although the pace of reform slowed in 2011/2012. According to the World Bank's 2013 Doing Business Report 28 of 46 governments in Africa (excluding North Africa) implemented at least one regulatory reform in 2011-12, down from 36 the previous year. Similarly, while four countries were among the top 10 reformers between 2006 and 2011, only one made the list in 2011/2012. However, the 61% of African governments implementing

new reforms in 2011/2012 still remains above the preceding 2005-2011 average (56%), and globally only one region had a higher proportion of countries implementing new regulations. Among the 50 economies with the largest improvements since 2005, a third are in Africa.

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. But the region still falls short in a number of regulatory reforms, such as dealing with licenses and protecting investors. The most problematic factors for doing business in the region remain access to financing, corruption, and an inadequate infrastructure. The African Development Bank has supported reforms encouraging strategic investments in private-sector projects and PPPs for infrastructure development, but its overall support to the private sector dropped 28% in 2011, representing 15.3% percent of total approvals – almost half that in 2010.

Development partners: An indicator framework developed by the G-20 Interagency Working Group to measure economic value-added and job creation was field tested in 2012 in six low and middle income countries. Efforts continued to promote responsible investment through the revision and strengthening of the OECD Guidelines on Multinational Enterprises, as well as OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. A Supplement on Gold was adopted in 2012 as part of a revised recommendation on the Due Diligence Guidance. Several partners also made progress towards more commercial transparency in trading natural resources with Africa through the introduction of mandatory reporting requirements in one major jurisdiction and consideration being given to this in others.

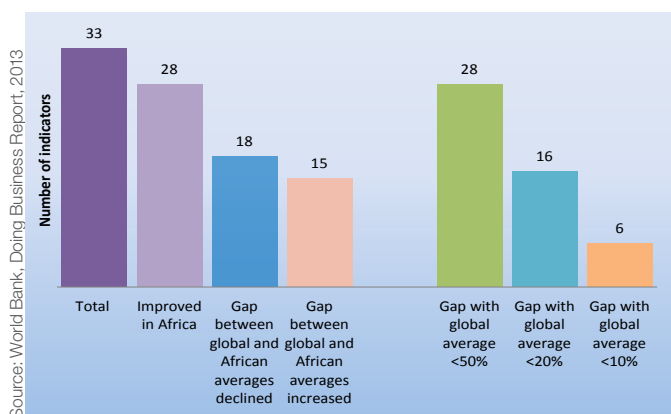
Other relevant initiatives include the NEPAD/OECD Africa Investment Initiative and the OECD Policy Framework for Investment. Development assistance for business support, banking and finance fell from over US\$2 billion in 2009 to US\$1.3 billion in 2010 and US\$1.2 billion in 2011. However IFC's investments in Africa (excluding North Africa) exceeded \$2 billion in 2011 for the second year running, supporting private sector growth in 31 countries, and reached \$4 billion for fiscal year 2012, helping simplify business procedures, attract investment, create jobs, and stimulate growth. This volume includes credit and risk guarantee mechanisms to promote domestic and foreign direct investment. The World Bank, UNECA and the Public-Private

Continued progress on reforms, although slowing in 2011-12 and behind global progress. High potential from harmonising best practice across sub-regions and improved access to finance, especially for SMEs.



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Doing Business Report: Africa's performance 2005-2012



Infrastructure Advisory Fund have also undertaken PPP capacity-building initiatives.

What results have been achieved?

Doing business is significantly easier as a result of reforms. Over 2005-2012, Africa improved in 28 out of 33 sub-indicators defined by the World Bank to measure the ease of doing business. The gap between global and African averages has declined for 18 sub-indicators. For some sub-indicators, such as the average times needed to obtain a construction permit, pay taxes and enforce contracts, Africa reached performance levels comparable to most other regions. But for 15 sub-indicators Africa continues to be outpaced by other regions with a widening performance gap over 2005-2012. Doing business remains challenging compared to other regions, with no narrowing of the overall gap with the global average (31% compared to 30% in 2005). Only 9 African countries were among the World Bank's top 100 doing business rankings in 2012. Capital markets have grown but their small size and lack of liquidity remains a problem and investor protection is weak. And whilst business funding has improved, the banking industry remains con-

centrated, financing costs high and access to credit is a primary inhibitor, particularly for Small and Medium-size Enterprises (SMEs), which account for up to 90% of all businesses in African markets (excluding North Africa). Much remains to be done, although there is wide variation between sub-regions, between countries within sub-regions, and between specific indicators 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. Whilst the improved business environment has helped Africa attract more investment in the last decade (see Topic 15), it remains disadvantaged compared to other regions, reflected in low shares of global FDI. Despite recent encouraging economic growth in Africa, the global economic crisis saw gross fixed private capital formation decline from 13.0% of GDP in 2005 to 12.5% of GDP in 2010. Low business rankings combined with improved regulatory frameworks elsewhere has, with the exception of a few countries, hindered Africa's competitiveness. Accelerating reforms in the business environment is necessary to help enhance productivity in Africa, close the competitiveness gap with other regions, and boost employment.

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 and productive sectors such as energy, transport, agribusiness and agro-industry, 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, especially the G-20 indicator framework;
- Increase support for lower-level capacity building to tackle financial, human and technological development constraints;
- Support efforts to improve access to finance, particularly for SMEs as well as the global integration of African capital markets.

Topic 5

ENVIRONMENTAL SUSTAINABILITY

Key commitments

Africa: African countries have committed to integrate environmental sustainability into development planning since the 1992 Rio Conference and have ratified the 3 Rio Conventions: the Convention on Biological Diversity (CBD), the Convention to Combat Desertification (UNCCD), and the UN Framework Conference on Climate Change (UNFCCC) (see Topic 6). In the 2011 Common Position addressing Rio+20 African governments committed to improve environmental governance and strengthen partnerships with non-traditional actors and the private sector. A post-Rio+20 strategy included several new initiatives: an African green economy partnership to facilitate coordinated action; the African Programme on Sustainable Energy Development; the Integrated Waste Management Programme for Africa; the Africa Integrated Environmental Assessment for Sustainable Development Planning; a sustainable land management and desertification program in Africa; and the African Program on Biodiversity and Ecosystems.

Development partners: Partners have ratified multilateral agreements and have committed to support Africa in promoting sustainable forest management and tackling illegal logging and illicit trade in wildlife. They agreed to double, by 2015, international financial flows supporting the CBD, including the Strategic Plan for Biodiversity 2011-2020 and the Aichi Biodiversity Targets.

Jointly: At the Rio+20 Summit in 2012 world leaders agreed to (a) construct a new global environmental agenda built on a green economy addressing sustainable development and poverty eradication, (b) integrate existing Multilateral Environment Agreements, (c) develop a set of sustainable development goals (SDGs) to promote global prosperity, reduce poverty and advance social equity and environmental protection and (d) advance action in areas critical to Africa's sustainable development.

What has been done to deliver on these commitments? (See also Topic 6 on climate change)

Africa: African governments have developed national strategies incorporating economic, social, environmental and institutional dimensions of sustainable development. While some initiatives have moved to action, implementation is weak and effectiveness limited. Inadequate institutional capacity, poor data and

weak priority setting are key constraints, compounded by the limited political influence and budgetary resources of Environment Ministries. **(i) CBD:** 53 African countries have completed National Biodiversity Strategies and Action Plans (NBSAPs). Of these, 8 have revised their plans and 5 are under revision. Most countries have developed new biodiversity legislation since 2005 and two-thirds are developing or implementing national forest programmes: 39 countries have national plans covering 17% of Africa's forests; 40 countries have forest policies, and 43 have specific forest laws. Regional partnerships and programmes to promote sustainable forestry management have also been established. The UNFCCC Reducing Emissions from Deforestation and Forest Degradation (REDD+) initiative is promoting sustainable forest management, while contributing to climate mitigation by creating a financial value for the carbon stored in trees. **(ii) UNCCD:** Most governments have developed National Action Programmes to combat desertification and implementation has commenced in some countries. 5 Sub-regional Action Programmes and coordinating organisations have been finalised. A Regional Action Programme (RAP) has been developed with support from the African Development Bank, with regional actions increasingly aligned to the UNCCD. The Great Green Wall for the Sahara and the Sahel Initiative to catalyse sustainable development and poverty reduction in desert margins north and south of the Sahara has received strong international support and the commitment of 11 African governments, but only 1 country has started implementing the initiative.

Development partners: Total ODA for general environmental protection in Africa increased from US\$0.47 billion in 2006 to US\$0.83 billion in 2011. The Global Environment Facility (GEF) has supported over 872 projects in Africa worth US\$2.3 billion since 1991, and in 2012 the US\$849 million supporting active projects in Africa represented 23% of all GEF grants in that year. Specific initiatives have also mobilised substantial sums. The TerrAfrica Initiative, an international partnership launched in 2005 through NEPAD/AfDB, has leveraged US\$1.2 billion to scale up sustainable land and water management in 26 countries. 15 African countries are receiving technical assistance to implement REDD+. The Congo Basin Forest Fund has approved funding for over 40 projects in 5 countries, with several aimed at building readiness for REDD+. However despite these various initiatives, support for general environmental protection in Africa remains a low priority compared to other sectors, representing under 2% of total ODA to Africa.

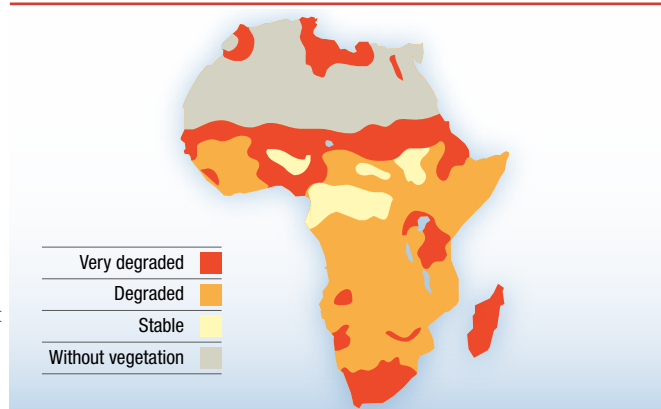
Environmental sustainability objectives consolidated at Rio+20. More needed on implementation to address continued deforestation, biodiversity loss and land degradation.



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Soil degradation in Africa

Source: Philippe Rekacewicz, UNEP/GRID - Arendal;



What results have been achieved?

Weak policies and implementation mean that environmental sustainability remains a serious concern, with larger implications for future sustainable development and poverty reduction. All but 3 African countries are in the bottom half of the 2012 Environmental Performance Index (EPI), which ranks 132 countries over 25 performance indicators assessing performance against established environmental policy goals. In terms of trends, Africa in aggregate slightly underperformed compared to global average over 2000-2012, although 10 African countries individually overperformed.

(i) Biodiversity: Data and information remain patchy. 25 African countries (two more than 2011) have reached a target of having at least 10% of their territorial and marine areas protected, compared to 20 countries in 1990. About 14% of the total forest area in Africa is designated for biodiversity conservation and is growing at 0.7% per annum. But Africa has the highest risk of extinction of medicinal plants (over 50%) with concomitant risks for health and livelihoods. Species diversity is also declining. MDG7B (reduce biodiversity loss by 2010) had not been achieved in Africa at the end of 2012;

(ii) Deforestation: Although Africa continues to experience deforestation,

net 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. However the total forest area has fallen from 31.2% in 1990 to 28.1% in 2010. MDG7A1 (increase the proportion of land area covered by forest) thus now looks unlikely to be achieved in Africa. The area of forest management plans has increased more than 4 million ha annually over the last decade. However, only 1% of Africa's forest estates (74,000 km²) have met responsible management standards through Forest Stewardship Council (FSC) certification. While Africa has 17% of world forests it accounts for only 4% of total certified areas;

(iii) Desertification: Two-thirds of Africa is classified as deserts or dry lands, concentrated in the Sahel, 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 population.

What are the future priority actions?

Africa

- Accelerate implementation of existing national and regional plans and strategies embracing biodiversity, and combating desertification and climate change;
- Implement the post Rio+ 20 Strategy by integrating strategies for environmental protection and sustainable resource management with poverty reduction strategies in future national and regional development plans;
- Strengthen national and regional institutions to integrate sustainable development and improve coordination across governments.

Development partners

- Strengthen the priority given to environmental concerns in development assistance by broadening poverty reduction objectives to include environmental sustainability (as requested by the Rio+20 Outcome Document);
- Increase support for implementation of green growth policies in Africa, and develop indicators and other measurement tools to monitor progress towards greener growth;
- Put an international investment strategy in place to facilitate transition towards a green economy following the Rio+20 Summit.

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, to expedite the implementation of existing programmes and initiatives on climate change and to initiate an African green economy partnership. Africa has also committed to developing a common negotiating position on climate change.

Development partners: Under the Kyoto Protocol a number of developed and transition economies committed to collectively reduce greenhouse gas (GHG) emissions by an average of 5.2% below 1990 levels in the first commitment period, ending in 2012. At Doha, 38 developed and transition economies signed up to a second commitment period of the Kyoto Protocol for the period 2013-20.

Jointly: At various climate negotiations, all countries have reiterated their support to set a goal of limiting global warming to 2 degrees Celsius (2°C). At Doha, countries reaffirmed their commitments to develop, before end-2015, a new legal instrument or agreed outcome with legal force applicable to all countries aimed at a substantial reduction in global emissions in the post-2020 period. Under the Cancun Adaptation Framework a process was established to enable Least Developed Countries (LDCs) to address medium- and long-term adaptation needs through national adaptation plans (NAPs). At Doha, parties also agreed to begin addressing loss and damage associated with the impacts of climate change, reflecting a notable shift in climate negotiations from initially a strong focus on mitigation, to including adaptation, and now to discussing the impacts of climate change.

What has been done to deliver on these commitments?

Africa: The Committee of African Heads of State and Government on Climate Change (CAHOSCC) provides the ultimate political guidance on climate negotiations. All 31 African LDCs have developed National Adaptation Programs of Action (NAPAs) which centre on urgent and immediate adaptation needs 21 of them are implementing climate adaptation projects. 5

countries are in various stages of developing medium- to long-term NAPs. 42 African countries have submitted Nationally Appropriate Mitigation Actions (NAMAs) but few have gone beyond recognising the effort required. 30 countries have prepared Technology Needs Assessments (TNAs) and 3 countries are currently receiving climate-related technology transfer as pilot projects within the context of the long-term program on technology transfer. Half of all African countries have undertaken national resource assessments for renewable energy sources including solar, wind, geo-thermal and biomass.

Regional frameworks of climate change programmes have been completed for all 5 sub-regions. An agreement was recently reached by SADC, COMESA and EAC to conduct a five-year programme to build climate-resilient and carbon-efficient agricultural practices. The ClimDev Africa Programme and the African Climate Policy Centre (ACPC) have helped to improve decision making through analytical capacity, knowledge management and dissemination activities.

Development partners: In aggregate, developed countries reduced emissions by 8.9% between 1990 and 2010. Cuts have been driven primarily by significant reductions in transition economies and to a lesser extent among the original EU15 members. Excluding transition economies, emissions from industrialised countries have risen by 4.9%. More recent trends in energy demand appear particularly worrying. According to the International Energy Agency (IEA), after a dip in 2009 caused by the global financial crisis, global primary energy demand rebounded 8% in 2010-11.

What results have been achieved?

At the global level, recent data from the World Meteorological Organization (WMO) showed that the amount of CO₂ in the atmosphere reached 391 parts per million (ppm) in 2011, a new record, and has been rising by 2 ppm a year for the last 10 years. Based on existing science-based recommendations, 450 ppm is considered the ceiling to stay within the 2°C global warming target by 2100. Expressed in other terms, global GHG emissions must peak before 2020 and decline rapidly afterwards. According to the 2012 UNEP Emissions Gap Report, GHG emissions are estimated at 50 GtCO₂e in 2010 and are still growing. Under current pledges by parties and assuming strict accounting rules, the median estimate for emissions in 2020 is 54

Increased international emphasis on climate change impacts but global mitigation efforts require substantial and rapid upscaling of ambition and implementation.



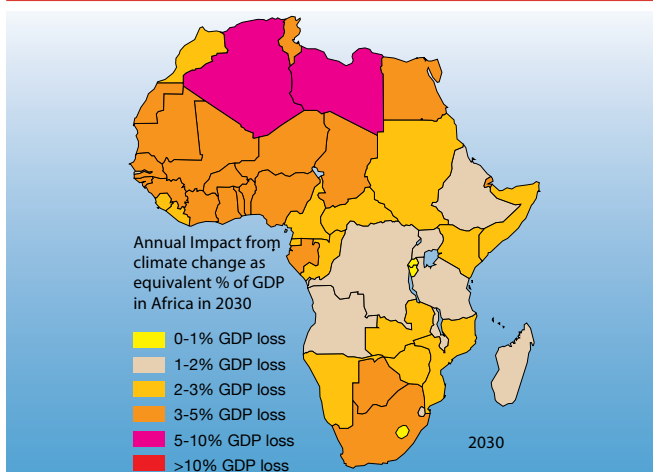
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GtCO₂e, 22% higher than the 44 GtCO₂e ceiling required to stay within 2°C targets. The IEA further warns that continued energy-intensive technology for new projects risks 'locking in' the high level of global GHG emissions. The OECD Environmental Outlook to 2050 warns that without more ambitious policies the atmospheric concentration of GHGs could reach 685 ppm by 2050, driving global temperature increases of 3°C to 6°C above preindustrial levels by 2100. The World Bank similarly warns that without further commitments and actions to reduce GHG emissions, the world is likely to warm by more than 3°C above preindustrial levels, and that even if current mitigation commitments and pledges are fully implemented, there is a 20% likelihood of exceeding 4°C by 2100. While the decision in Doha by 38 developed and transition economies to abide to a second commitment period of the Kyoto Protocol (2013-20) succeeded in extending the only existing legally-binding accord on climate mitigation, these countries currently account for only about 15% of global GHG emissions. Establishing an international agreement beyond the Kyoto Protocol, effective by 2020

and with much more ambitious mitigation commitments from all major emitters - including developed countries and several major developing countries - is therefore of paramount importance. Recent projections confirm that Africa will be disproportionately affected by climate change because of overreliance on rain-fed agriculture and weak adaptive capacity. 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. Arid and semi-arid lands are likely to increase by up to 8%. While climate impacts are increasing in severity, mainstreaming climate adaptation efforts and contributing to the global mitigation effort in Africa have begun. Despite the challenges in evaluating the impact of these national and regional efforts, recent initiatives by the Global Adaptation Institute (GAIN) to rank countries by their vulnerability to climate change and readiness to adapt show that, out of the 40 countries for which the GAIN Index is available, 19 have shown an improvement in their readiness to adapt while 10 have experienced a deterioration. A few countries have gone beyond the preparation of NAPAs and have developed green growth and climate resilience strategies.

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

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



What are the future priority actions?

Africa

- Improve the scientific information base and capacity of countries and RECs to better incorporate climate considerations into decision making and development;
- Improve regulatory frameworks to attract low carbon/climate resilient investments.

Development partners

- Increase substantially the ambitions of emission reductions as part of global efforts to keep global temperature warming limited to 2°C;
- Identify practical ways to support African countries in their efforts to reduce vulnerability and build resilience to climate change and to develop green growth activities;
- Integrate climate adaptation into development co-operation by assessing climate risks and opportunities within national government processes, at sectoral and project levels, and in both urban and rural contexts.

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 develop 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 committed 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. Partners committed to coordinate funding and align to national plans at the Fourth High Level Forum on Aid Effectiveness in Busan. They have also committed to create an International Task Force “Teachers for EFA” to counteract the 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 expenditures in education increased from US\$22.3 billion in 2000 to US\$70.1 billion in 2011 (current prices) – a 60% increase in real terms. Increases have not kept pace with economic growth, with expenditures as a share of GDP falling from 4% to 3.8% over the period (although remaining broadly constant for North Africa).

Similarly, expenditures as a proportion of government revenues also fell, from 14.3% to 11.8%. While expenditures per capita have risen from US\$27.6 to US\$68.7 over the period, with notable increases in North Africa in particular, levels remain below that of other developing regions (except South Asia) and the gap is increasing. However, primary education accounted for almost half (46%) of 2011 government education expenditures in Africa (excluding North Africa) and while proportions of government budgets remain below the targets set in EFA they are among the highest in the world. In 2011 the African Union (AU) launched the Pan African University in line with its commitment to strengthen tertiary education. 26 African countries have had their national education plans endorsed by the FTI.

Development partners: Official development assistance (ODA) disbursements to education in Africa rose sharply from US\$3.1 billion in 2006 to US\$3.9 billion in 2007. The momentum slowed over 2008-2010 with totals rising to US\$4.3 billion. ODA to the sector fell sharply in 2011, to US\$3.7 billion, reflecting a shift in donor priorities to other sectors within an overall increase in total ODA. Consequently education ODA as a proportion of aid allocated to all sectors has fallen from 15% in 2007 to 10% in 2011. There was also a shift of priorities within the sector: support for both basic and secondary education fell sharply, down to 37% and 13% of total education ODA respectively, whilst support for post-secondary education remained at 50% (excluding unspecified support). 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?

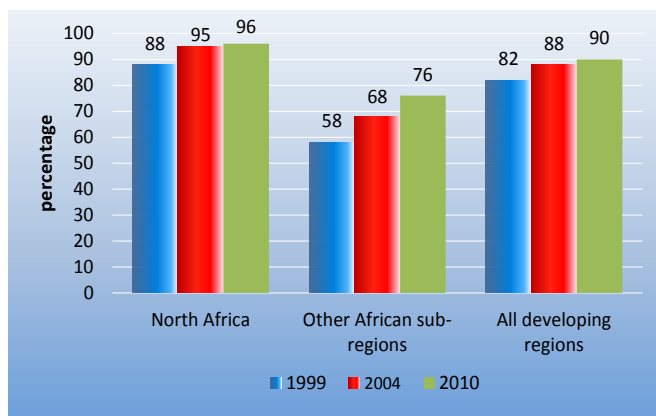
Net primary enrolment in Africa has increased by 23 percentage points over the decade, reaching 87% in 2010 in the 29 countries with the latest data (96% and 76.2% for North Africa and the four other African sub-regions respectively). Excluding North Africa 43 million more children were enrolled in primary education in 2010 compared to 1999. A 6% increase in some West African countries over the last two years for which data is available has evidenced the rapid pace of change achievable.

On track for primary enrolment targets but more needed to increase completion rates, improve quality, bridge gender and inequality gaps and build post-primary levels to meet labour needs.



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Adjusted net enrolment rate (1999 to 2010)



Source: United Nations (2012). The Millenium Development Goals Report 2012

Completion rates have not kept pace, with only 70.2% of children in Africa (excluding North Africa) reaching the last grade of primary school, compared to global rates of 90%. North Africa is higher at 96.3%. Low rates have suffered from late entry for primary school students, poor quality in primary education delivery and a drop in unit costs as resources have not matched increased enrolment rates.

Gender parity in primary education is, however, improving. 16 countries had already reached parity by 2010 and targets are likely to be achieved by most countries (see also Topic 10). In North Africa 95 girls and in the four other sub-regions 92 girls were enrolled for every 100 boys, advancing progress towards the target of 97-103 girls per 100 boys. But in 24 of 36 countries with data, completion rates for boys are higher than for girls, and of those 24, 11 are higher by about 10 percentage points.

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, (although national disparities are substantial). Similarly, tertiary enrol-

ment is low and near static, increasing from 5% to 6% over the period. Despite dramatic improvements in some areas, considerable challenges remain. More than half of all children out of school in 2010 (33 million) were in Africa (excluding North Africa). The region also has the lowest youth literacy rate in the world, at 72% percent in 2010. The quality of education 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. Of the 20 countries with the lowest net enrolment ratios, 13 are in Africa. Recruitment rates of qualified teacher numbers remain below UPE requirements. Pupil-teacher ratios average 1:45 at primary school. Rural ratios are even higher. On current trends enrolment targets can be met if efforts continue. However, poor completion rates means the goal of universal primary education by 2015 will be missed by Africa as a whole.

What are the future priority actions?

Africa

- Maintain and scale up progress in primary education, including increased budgetary allocations, to ensure equity in access for vulnerable groups - including low income groups, rural populations, girls, refugee children and illiterate adults;
- 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 labour market needs.

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 training of qualified teachers for primary and post-primary education;
- Support comprehensive reform of the EFA to improve delivery and re-structure 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. They pledged to allocate at least 15% of government expenditure to health under the 2001 Abuja Declaration. They have committed to universal health care access, including sexual and reproductive health services, and to accelerate 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 and extended to 2015. A number of commitments, plans and targets have been proposed for primary health care, maternal, infant and child health, non-communicable diseases (NCDs) and measles. Some 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: Partners have sought to support Africa's investment in health. G-8 summits have prioritised health, pledging an additional US\$60 billion over 2006-11 to counter infectious diseases and build health systems. Early commitments emphasised HIV/AIDS and specific infectious diseases, particularly through vertical health funds and innovative financing mechanisms. More recent commitments have increased emphasis on health systems, health worker training and neglected tropical diseases. They have also committed to provide drugs and treatment at affordable prices, and have pledged US\$5 billion to address maternal mortality over 2010-15. Leaders endorsed the Global Malaria Action Plan in 2008, committing nearly \$3 billion to cut malaria deaths to near zero by 2015. The 2011 UN General Assembly Political Declaration on HIV/AIDS set clear target outcomes on HIV/AIDS transmission, related deaths and access to treatment by 2015. Member States also committed least US\$22-24 billion available for the global HIV response annually by 2015.

What has been done to deliver on these commitments?

Africa: Government health expenditure has increased significantly, from US\$13.6 billion to US\$50.7 billion over 2000-2011, a 92% rise in real terms. It

has also grown as a proportion of GDP, from 2.3% to 2.7%, with per capita expenditures rising from US\$16.8 to US\$49.7 over the period. Part of this growth has been driven by increased allocations from domestic budgets, with the average share to health rising from 8.2% to 8.4%, with 26 countries increasing expenditure proportions to the sector. Increases remain, however, below the Abuja 15% target: only four of the 45 countries for which data is available were in line by 2011, just three more than when the commitment was made.

Almost all African countries have developed national health plans or strategies and established or strengthened national coordinating bodies for HIV/AIDS, tuberculosis and malaria. By 2011, 39 governments had distributed free insecticide treated mosquito nets (ITNs) and 32 countries had adopted the WHO recommendation to provide ITNs to all persons at risk. Households owning at least one ITN in Africa (excluding North Africa) have grown from 3% to 53% over 2000-2012.

Development partners: DAC Official Development Assistance (ODA) support to health in Africa including sexual and reproductive health doubled from US\$4.75 billion in 2006 to US\$9.6 billion in 2011, totalling US\$45 billion over the period. Over 80% of assistance in 2011 was support for the control of sexually transmitted diseases, including HIV/AIDS (US\$4.4 billion), and for basic health - including malaria, tuberculosis and infectious disease control (US\$3.5 billion). Assistance for health systems and research has remained unchanged since 2006 at around US\$0.9 billion, accounting for 10% of the total. Support for reproductive health care and family planning was around 8-9% in 2011. Africa has accounted for 55% of Global Fund disbursements (US\$8.6 billion) between 2002 and end-2011. Donors have also supported other innovative financing mechanisms, including US\$1.5 billion to the Advance Market Commitment (AMC) pilot for pneumococcal vaccine and the International Financing Facility for Immunisation (IFFIm) which has disbursed US\$2.12 billion since 2006. But despite efforts to strengthen country ownership, use common arrangements and promote dialogue, ODA in the health sector remains fragmented.

Continued progress but targets remain off track for many countries. Increased financing and coordinated international support needed, with more emphasis on health worker shortages.



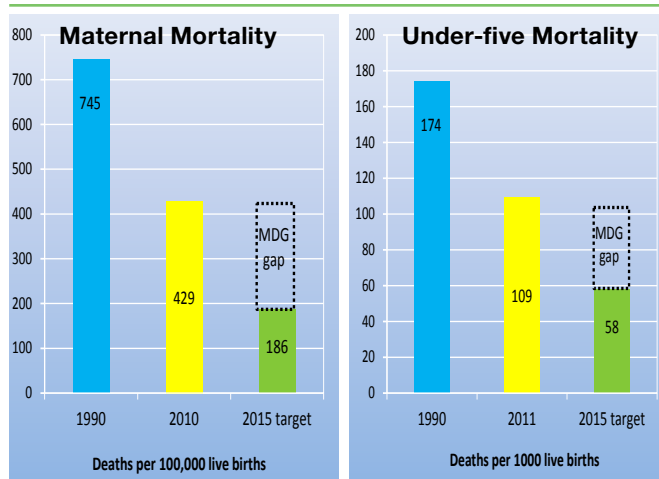
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What results have been achieved?

Starting from a low baseline considerable progress has been made across a range of indicators, but in each substantial challenges remain.

Mortality rates: Under-five mortality rates declined from 174 to 109 per 1,000 live births between 1990-2011, with annual rates of reduction doubling in Africa (excluding North Africa) from 1.2% between 1990-2000 to 2.4% between 2000-2010. This rate of progress, however, is not sufficient to meet the 2015 MDG4 target while 24 of the 26 countries with rates over 100 per 1,000 are in Africa. Maternal mortality rates have fallen 40% to 429 deaths per 100,000 live births over 1990-2010, but still remain the highest of any region with more than half of all maternal deaths occurring on the continent. Achieving universal access to reproductive health (the second target of MDG5) is imperative to tackling this challenge. **HIV/AIDS:** HIV/AIDS Infection rates have fallen 25% in Africa (excluding North Africa) since 2001 (faster than global falls of 20%), with mother-to-child transmission rates falling by 24% over 2009-2011 alone due to effective antiviral regimens. Treatment coverage has improved - 56% of those in need in the re-

Maternal and under-five mortality rates in Africa, 1990 and 2010



Source: UNECA/Au (2013); Report on progress in achieving the Millennium Development Goals in Africa, 2013

gion had access to antiretroviral therapy in 2011. Consequently AIDS-related deaths has fallen 32% over 2005-2011. Despite this progress, however, the region still accounted for 69% of all people living with HIV – affecting 4.9% of the adult population - and 70% of AIDS-related deaths in 2011, and so remains the most heavily effected region. **Tuberculosis:** Prevalence declined slightly from 342 to 332 per 100,000 between 2008-2010. **Malaria:** 9 African countries are on track to reduce the incidence of malaria by 75% by 2015 compared to 2000 levels. Malaria mortality has fallen by more than a third since 2000, faster than the 25% global rate, driven by improved prevention and control measures, but Africa continues to account for the majority of malaria deaths. **Measles:** Immunisation of one year-olds in Africa increased from 56% to 76% over 2000-2010. 21 countries registered immunisation rates above 90% in 2010. **Health personnel:** Staff capacity remains low. With 27% of the global burden of disease, Africa (excluding North Africa) has only 3% of the world's health workers, and projections identify an 800,000 shortfall of health workers across 31 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, with particular attention to universal maternal health care provision;
- 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 committed to the MDG target of halving, between 1990 and 2015, the proportion of people suffering from hunger. To achieve this, they have committed both to supporting agricultural development (see Topic 2) and to improving food security through measures to:

- *avert shortages and ensure the availability of food*, by strengthening information and early warning systems, improving risk management, and supporting national and regional initiatives to establish emergency food reserves;
- *increase access among countries and groups vulnerable to food insecurity*, by investing in safety net systems and facilitating intra-regional trade flows (see Topic 2).

Development partners: have similarly committed to the MDG target, through: (i) Financial support for agriculture and food security initiatives (see also Topic 2); (ii) Policy measures to enhance food security, including measures to curb price volatility in the aftermath of the food price crisis of 2007-08, and to promote policy coherence; (iii) Responding to humanitarian crises.

A series of commitments made at successive G-8 and G-20 Summits have prioritised food security, including: (i) the 2009 L'Aquila Food Security Initiative (AFSI) to mobilise financing (see Topic 2); (ii) the food security pillar of the G-20 Multi-Year Action Plan on Development adopted at Seoul in 2010; (iii) the 2011 G-20 Action Plan on food security and price volatility, (including a global Agricultural Market Information System (AMIS); tools to mitigate risks and cope with the consequences of price volatility; and commitments to improve the functioning and transparency of agricultural financial markets, and remove export restrictions and taxes on food purchased for humanitarian purposes by the World Food Programme (WFP)); (iv) the G-8 New Alliance for Food Security and Nutrition agreed in 2012, and (v) G-20 plans on food security and agricultural production endorsed at Cannes and Los Cabos in 2011 and 2012 respectively.

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. 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. Funding is expected to commence 2013. However, limited storage capacity together with poor finance and oversight of a number of African national reserves has kept agricultural stocks below sufficient levels, representing only 17% of cereal demand (excluding North Africa) in 2012 (compared to 29% in Asia and 22% globally). The African Union has developed a draft strategy to address food and nutrition crises, putting CAADP at the centre of long-term food security goals. It has established a roadmap to integrate risk management into CAADP national and regional investment plans. With the support of WFP, it has established a new Specialised Agency, the African Risk Capacity, to help pool resources across Africa to predict weather-related risk, expedite response, and transfer the burden of managing risk from African governments to financial markets. It is establishing a Food Safety Authority and a Rapid Alert System for Food and Feed to avert food-borne diseases.

Development partners:

(i) **Financial support:** it is not evident that there has been a significant increase in financial support for food security as a result of AFSI. Total pledges were over US\$22 billion, of which US\$15.4 billion represented already planned expenditure. 74% of the total (around US\$16 billion), had been disbursed by March-2013 (see Topic 2);

(ii) **Policy measures:** the specific initiatives under the 2011 G-20 Action Plan have been launched, including AMIS, to increase the transparency of market information and anticipate market risks. The 2012 Elaboration of a Global Strategic Framework emphasised engagement with the private sector to improve policy coherence for food security. However wider food security issues remain unresolved, such as policies supporting biofuels which risk diverting agricultural supplies from food to energy uses and add to price volatility;

(iii) **Humanitarian response:** Development partners delivered 81% (US\$2 billion) of the US\$2.4bn UN humanitarian appeal for the Horn of Africa in 2011, falling to 59% of the 2012 country appeals in the region. They also met 70% of the US\$1.6bn funding requirements for the Sahel food crisis in 2012.

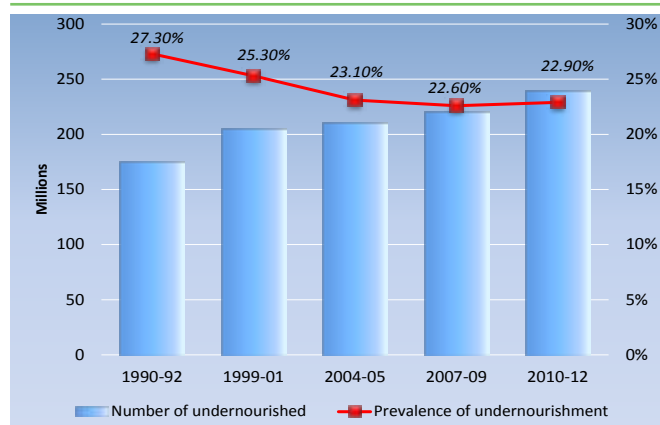
Falling undernourishment rates outpaced by population growth and behind other regions. More needed to scale up national and regional risk management measures and coherence in addressing underlying causes of food insecurity.



What results have been achieved?

Progress towards MDG10 remains weak and although 11 African countries had met this goal by June 2013, prospects for reaching the goal by 2015 seem out of reach for Africa as a whole. Revised 2012 FAO data indicates that the proportion of undernourished people fell less than 5 percentage points between 1990-92 and 2007-2009 (from 27.3% to 22.6% respectively), slower than other developing regions. Africa alone saw a worsening of this ratio after the food price crisis, rising to 22.9% in 2010-2012. Further, population growth has outpaced any proportional decline, with undernourished populations rising from 175 million to 239 million over 1990-1992 and 2010-2012. Africa now represents 27.5% of the global malnourished population, up from 17.5% in 1990-1992. The 2012 IFPRI Global Hunger Index (GHI), which combines the proportion of undernourished with the prevalence of underweight children and the mortality of under-five children, describes a similar picture: small improvements (16%) in Africa (excluding North Africa) over 1990–2012 substantially outperformed by other regions, including North Africa (39%). The prevalence of underweight among children under five fell 5 percentage points over the period (from 22.7% to 17.7%), while stunting among children under five fell by 6 percentage points (41.6% to 35.6%).

Number (millions) and prevalence (%) of undernourishment



Source: UN Food and Agricultural Organisation/SOFI

Increasing climate variability (see Topic 6) is also exacerbating food insecurity. Regions experiencing combined shocks of drought and high prices are particularly vulnerable to crisis. The Sahel and the Horn of Africa continue to be particularly affected, with more than 18 million at risk of hunger in Sahel in 2012, and 8 million receiving emergency assistance. A similar number were in receipt of food assistance in the Horn of Africa in January 2013.

There was a further spike in food prices in 2011-12, which was less severe and resulted in less volatility than the earlier 2007-08 price shock. Prices are 20% lower than that peak but remain higher than they were prior to 2007-08. Overall, high prices impose an aggregate burden on Africa as a net food importer and raise individual costs to consumers. While producers with net food sales benefit, a majority of African farmers are net buyers of food and stand to lose more than benefit – at least in the short term.

What are the future priority actions?

Africa

- Secure the *availability* of food by improving regional coordination of early warning systems, developing improved mechanisms to manage risk, and rebuilding stocks at both national and regional levels - including the ECO-WAS regional emergency food reserve;
- Secure *access* by scaling up safety net programs and facilitating intra-regional food trade flows from surplus to deficit regions;
- Build *long-term food security* by implementing CAADP and integrating increased climate variability in national and regional food security strategies.

Development partners

- Fully deliver existing commitments under AFSSI, the Action Plan on Food Security and Price Volatility, and the New Alliance for Food Security and Nutrition;
- Address wider policy issues which impact on food security including by removing production distorting subsidies and trade barriers, subsidies for biofuels and restrictions on WFP emergency food exports;
- Provide adequate and effective support to meet immediate humanitarian needs.

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 (2004). This culminated in the adoption of the African Union (AU) Gender Policy in 2009 and the launch of the African Women's Decade in 2010, reaffirmed with the launch of the Fund for African Women in 2011. African governments have further committed to end discriminatory practices through acceding to international norms and standards such as the Beijing and Dakar Platforms of Action. The 57th session of the Commission on the Status of Women (March 2013) underscored the responsibility of governments and committed to mainstream gender into all legislation, policies and programmes backed by adequate resources. 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 (CARMMA) launched by 29 countries. 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. 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: Policies and legal frameworks have been established but progress in entrenching norms and standards promoting women's rights, mainstreaming gender and cementing gender-responsive policy differs across countries. All but three African countries have ratified the CEDAW, 32 countries have ratified the Protocol to the African Charter and the same number has reported progress in implementing the Solemn Declaration. All 54 African states have reported concrete steps to accelerate follow-up strategies to the Beijing and Dakar Platforms of Action. 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 practicing female genital mutilation have outlawed it, although law enforcement remains weak. Nine countries have established social protection programmes benefiting women.

Development partners: In 2009-2011 OECD-DAC members committed an annual average of US\$8.4 billion in bilateral support for gender equality and women's empowerment in Africa. Both the total and the distribution were fairly constant over this period. Around 50% was in the health, education and water sectors and around 20% was in the governance and conflict prevention sectors. Approximately 20% was in economic and productive sectors, with half of this supporting agriculture. These figures include all sector-allocable ODA marked as having support for gender equality and women's empowerment as either their principal or a significant purpose.

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.

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



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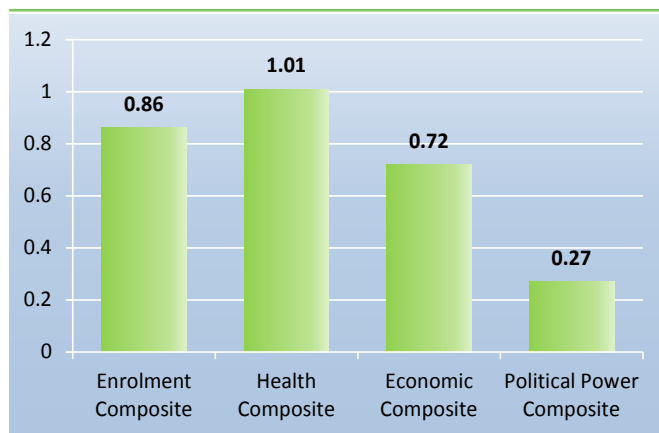
Education: The majority of African countries are on course to achieve the MDG primary enrolment and gender parity targets, with 16 countries already reaching parity by 2010 (see also Topic 7). Eight of the 13 countries submitting data for the 2012 African Gender and Development Index (AGDI) had parity scores of over 0.8 for enrolment in early childhood, primary, secondary and tertiary levels combined (where a score of 1.0 indicates complete parity). Two countries scored over 1.0. Girl dropout rates, however, remain high at all education levels, especially in rural areas. **Health:** Much has been done to scale up prevention and treatment, but the disproportionate impact on women remains a major challenge. Maternal mortality rates, while falling 40% over 1990-2010, remain the highest in the world (see also Topic 8). North African gains in increasing skilled attendance at birth have not been as great in other African sub-regions. However, the majority of the 13 countries reporting data for the 2012 AGDI are close to, or have surpassed parity in their composite health index that combines child health, HIV/AIDS and other health indicators, with an average score of 1.01.

Economic participation: Women's share of waged employment (outside agriculture) is less than 20% in North Africa, and roughly a third for the four other sub-regions. However, women represent half of the agricultural labour

force across the continent and constitute the majority of those engaged in the informal sector – 80% in Africa (excluding North Africa) in one UN assessment. Despite their essential contribution, women in Africa have less access than men to productive re-sources, including land, livestock, labour, education, extension and financial services, and technology. The AGDI finds particularly low gender parity in wages among countries submitting data in 2012. **Political representation:** Africa has two women heads of state and, in addition, has for the first time elected a woman as Chairperson of the African Union Commission. Excluding North Africa, female participation in parliamentary representation passed 20% in 2011 (11% in North Africa), compared to a 19% global average. Nine countries have surpassed 30% or higher representation in parliaments, mainly due to constitutional quotas and progressive laws and an African country tops the global list. 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. Further, the AGDI composite index for political power, which considers public participation in the public sector and civil society, is low at 0.27 for the 13 countries submitting data in 2012.

Gender Status Index for selected African countries contributing to 2012 African Gender and Development Index

Source: UNECA computations from country reports, 2012



What are the future priority actions?

Africa

- Expedite measures to enhance access to the African Fund for Women;
- Develop implementation plans for CARMMA and harmonise all programs that promote health and well being of women and girls including anti-retroviral access programs;
- Extend actions to promote parity in politics and decision making, including concrete moves towards constitutional provisions, and strengthen programmes to enhance women's economic empowerment.

Development partners

Deliver on Busan commitments to:

- Help collect and make full use of data disaggregated by gender;
- Integrate targets for gender 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 established 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, including promotion of democratic governance, 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 has been signed by 39 countries and ratified by 15, and entered into force in February 2012. It 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 recognising 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 regional unrest, development partners 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 2012 Ibrahim Index of African Governance finds that between 2000 and 2011 overall governance improved in Africa, with improvements in 11 of the 14 sub-categories in the index. The strongest performance has been in the categories of sustainable economic opportunity and human development, whilst safety and the rule of law, and participation and human rights have registered declines. These trends will be examined in more detail in the forthcoming Africa Governance Report III 'Elections and the Management of Diversity in Africa'. 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. Between January 2012 and end-March 2013, 30 countries held elections at presidential or parliamentary level. The AU and regional organisations 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: 33 countries have acceded to the APRM, of which 17 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 at almost twice the rate of aid to other sectors. Assistance for elections reached US\$260 million in 2011, down from 2010 levels but a three-fold increase over the decade. Assistance supporting democratic participation and civil society increased in 2011 to US\$705 million, more than double 2000 levels. Development partners have also supported development transitions in African establish-

AU and regional institutions continue to provide strong leadership, but increased efforts needed to strengthen institutions of accountability and promote free and fair elections.



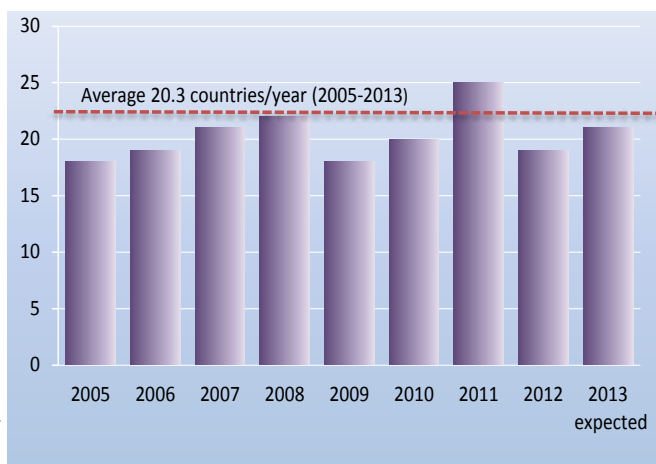
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ing the Deauville Partnership through: (i) political processes to support the democratic transition and foster governance reforms; and (ii) an economic stability framework for sustainable and inclusive growth.

What results have been achieved?

There has been an increase over the last three 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. Most African countries have become electoral democracies of varying degrees and capacity. In two countries elections in 2012 have led to the peaceful transfer of power from one party to another at Presidential level. In the same year the AU responded, in line with its zero tolerance policy, to two coup d'états by supporting regional sanctions and implementing its own. One country was returned to constitutional rule. The APRM has also helped to promote improved governance in countries that have engaged in reform processes. Overall, popular support for democratic institutions and good political governance has become stronger.

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

However despite these advances, there continue to be major challenges: (i) Although the quality of elections has improved, it remains uneven. There have continued to be some cases of election-related conflict and political violence, while peaceful elections elsewhere have not been devoid of tensions, allegations of electoral corruption and intimidation of opponents. Such continued outbreaks 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 African Governance Report). (ii) 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. Many of the necessary normative frameworks in all these areas have been established in the Pan-African Governance Architecture; however, the AU continues to face challenges and constraints in ensuring compliance and implementation.

What are the future priority actions?

Africa

- Ensure implementation and regular monitoring of the African Charter on Democracy, Elections and Governance including continued strong zero-tolerance for unconstitutional changes of power;
- Improve other indicators of political governance including checks and balances, accountability, the rule of law, civil liberties and human rights including through the implementation of the Human Rights Strategy;
- 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. 22 African countries are parties to the Extractive Industries Transparency Initiative (EITI) and in December 2011 governments 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 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 both economic and 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. G-20 leaders adopted the first Anti-Corruption Action Plan in Seoul in 2010. A revised Action Plan for 2013-2014 was agreed in 2012. The commitments include: (i) tackling corruption including through the UN Convention against Corruption (UNCAC); (ii) tackling foreign bribery, including through active engagement the OECD Anti-Bribery Convention; (iii) pursuing those who receive and solicit bribes; (iv) combating money laundering; (v) denying entry and safe haven to corrupt officials; (vi) supporting the recovery of stolen assets; (vi) promoting transparency, particularly in the extractives sector; and (vii) implementing whistleblower protection rules. The G-8 adopted an Asset Recovery Action Plan for Arab Countries in Transition in 2011 and has made transparency one of its priorities in 2013. Development partners have also made related commitments to promote responsible business (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 taken major steps to develop sound macro-economic policy. They have instituted reform across the public resource management cycle including the reconstitution of national revenue administrations, modernising legal frameworks including in procurement, creating new

structures in the budget preparation process and strengthening supreme audit institutions. However, progress remains inhibited by a significant transparency deficit, inadequate accountability, limited political will to adhere to constitutional frameworks, tax and budget management laws, and technical and managerial capacity shortfalls. Further, limited implementation and execution of national budgets, together with weak laws are undermining the effectiveness of reforms to promote transparency in budget processes. A common African position on development effectiveness around natural resources was reached in July 2011 with parliaments, regional economic communities and civil society. By March 2013, 11 African countries had been designated as EITI compliant, and 7 were candidate countries. 19 have met the minimum requirements of the Kimberley Process Certification Scheme. Regional initiatives have addressed illegal exploitation and trade of natural resources. 34 countries have ratified the AUCPCC and 45 have ratified the UNCAC.

Coordinated anti-corruption mechanisms are now active. The African Union Advisory Board on Corruption (AUABC) is combating corruption and has developed, with the UN Economic Commission for Africa (UNECA), a five-year Regional Anti-Corruption Programme including policy research, training and capacity development, knowledge exchange and anti-corruption advocacy activities. The African Association of Anti-Corruption Authorities was established in 2011 to strengthen cooperation in detecting, tracing and recovering assets and investigating corruption cases. The High Level Panel on Illicit Financial Flows was launched in February 2012. At the regional level Northern Africa launched the Arab Forum on Asset Recovery, and the Southern Africa region established the Asset Recovery Inter-Agency Network of Southern Africa (ARINSA) in 2012.

Development partners: The G-20 Anti-Corruption Working Group has issued two reports which show that progress in implementing the Seoul Anti-Corruption Action Plan has been uneven. G-20 leaders emphasised the need to close 'the implementation and enforcement gap' at Los Cabos in 2012. Whilst some countries have passed legislation criminalising foreign bribery and many have passed legislation protecting whistleblowers, others have still to ratify the UNCAC. According to OECD data, 14 of the 40 Parties to the OECD Anti-Bribery Convention have sanctioned individuals and/or companies for foreign bribery. In a 2012 review Transparency International recorded active enforcement of the Convention in 7 of the 39 Parties (the same figure

Robust macro-economic policy expected to return fiscal balances to pre-crisis levels. Accelerated efforts needed on transparency, corruption, asset recovery and illicit financial flows, and requires both collective international and African action.



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as 2009), moderate enforcement in 12, little enforcement in 10 and no enforcement in 8. A recent OECD study concluded that there was a mixed record among OECD countries in implementing the anti money-laundering regimes (essential for tackling illicit flows), with significant weaknesses in due diligence and the availability of beneficial ownership information. Many financial institutions remain safe havens for illicit financial flows. Although some countries have published asset recovery guides, significant barriers to asset recovery remain and international co-operation is slow and cumbersome. The mandatory reporting of payments made to governments by companies operating in the oil, gas and mineral sectors has been introduced in one major jurisdiction, and approved in principle in another case, with the addition of the logging sector. Few development partners have signed up to the EITI.

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. Aided by rising revenue, fiscal balances are set to revert to pre-crisis levels although rising food and fuel prices may affect this outcome. **Public resource management:** some areas of the management cycle, such as budget preparation, are improving. But a review of 20 African countries for which historical data on public financial management (PFM) is available finds about half showing no clear trend

while the other half is almost equally split between countries with either improving or deteriorating PFM systems. **Transparency:** Africa lags behind the rest of the world in transparency of oil, gas and mining revenues and the budget. Africa (excluding North Africa) had an average score well below the global average in the latest 2012 Open Budget Survey (31 out of a possible score of 100, compared to a global average of 43). The North African countries covered had an average score of 19. **Corruption:** Every year an estimated US\$20-40 billion in stolen assets is lost to developing countries through corruption, much of which finds safe haven in international financial centres. Some African governments have made enormous efforts to curb corruption, but the full impact of new institutions and laws remains to be felt. Measured through perceptions, progress continues to be slow: Transparency International's 2012 Corruption Perceptions Index indicates that public sector corruption is seen as endemic in the region with only 4 countries in the upper half of the index. **Recovery of stolen assets:** some African countries have recovered stolen assets but differences in legal jurisdictions mean this is often complex and costly. Leaving aside one specific case in North Africa, the amount repatriated to Africa between 2010-12 was US\$46 million, slightly over 10% of the total sum repatriated over this period.

What are the future priority actions?

Africa

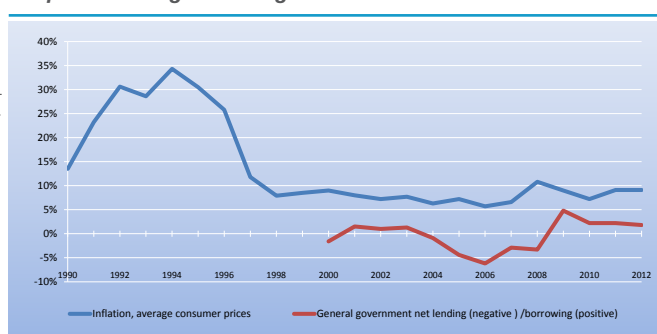
- Improve transparency in PFM systems;
- Accelerate efforts to counter bribery and corruption through implementation of the AU Convention and increase AUABC support, including the Regional Anti-Corruption Programme for Africa;
- Strengthen legal, institutional and operational capacities to pursue asset recovery cases.

Development partners

- Promote improved transparency of payments made by companies to African governments, in all sectors;
- Step up efforts to stem illicit flows, including support for the High Level Panel;
- Fully implement existing commitments, including through the G-8 and G-20 processes, to support Africa's efforts to identify and recover stolen assets.

Source: International Monetary Fund, World Economic Outlook Database, April 2013

Net public lending/borrowing and inflation in Africa



Topic **13**

PEACE AND SECURITY

Key commitments

Africa: African Governments have emphasised as imperative the need to intensify security cooperation under the African Peace and Security Architecture (APSA) and have institutionalised 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.

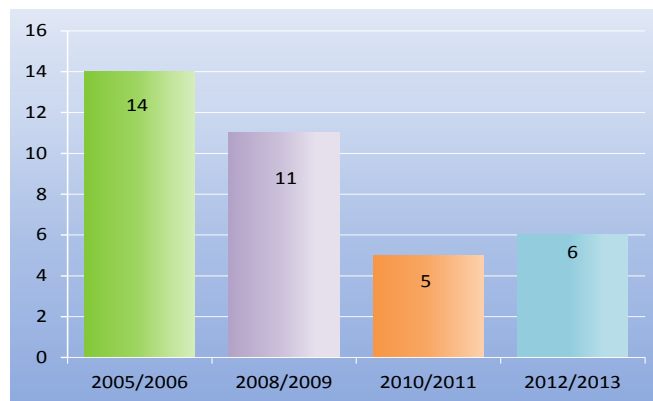
Development partners: Development partners have made commitments in three areas: support to African efforts in peace-building, including through commitments to train and equip peacekeeping forces, build institutional capacities, and improve their funding and disbursement mechanisms. They have committed 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: Over the past decade the PSC has emerged as the central pillar of the APSA and has become a focus of collective security decisions by Africa. In doing so it has shifted the African Union (AU) from a tradition of non-interference in domestic affairs to a new approach using sanctions and more assertive regional diplomacy to help ensure peace

and security. It has increased coordination and cooperation with Regional Economic Commissions (RECs) and regional mechanisms for addressing crisis and conflict situations. In 2012 it was active in 7 cases of ongoing, renewed and new conflicts. Actions 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 refugees and internally displaced persons (IDPs). 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, and, including all troops, military observers, police and civilian personnel, reached over 86,000 in 2012. Set against this, there remain significant challenges in the implementation of the APSA. The financial and military burden is carried by only a few states. There is still only limited capacity to mount quick military responses where necessary through the African Stand-by Force,

Number of countries experiencing conflict in Africa



Significant African-led achievements in reducing conflict over the last decade. However, new conflicts in 2012 demonstrate the need for continued African efforts and ownership for resolving conflicts, with coordinated international support.



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or through regional forces. This has meant that timely and effective African-led security efforts have been absent in a number of cases.

Development partners: Development partners have supported African efforts to resolve conflict on the continent in 4 main ways: through the general provision of financial assistance and support for capacity building; through equipment, training and logistical assistance for specific peace-keeping operations; through political support for African peace initiatives and peace-keeping efforts, and, on occasion, through direct military intervention, enacted within a United Nations framework and with the objective of handing over to African-led security efforts as soon as these can be put in place. Development partners are providing most of the funding for AU and REC operations within a broader framework of support and cooperation through the UN, with a global 2012/13 peacekeeping budget of US\$7.33 billion. Of this, US\$5.03 billion is budgeted for operations in Africa, which accounts for 7 of the 14 current UN peacekeeping operations. Total ODA to conflict, peace and security in Africa reached US\$886 million in 2011, with almost half focused on peacebuilding and conflict prevention and resolution activities. The establishment of the African Peace Facility has created a more secure financial basis for future efforts. Substantial sums have also been pledged through ad hoc appeals in specific cases. Even so, mobilising the required funding on a timely basis continues to remain a challenge and legal constraints on the uses to which some funds can be put have limited development of regional and continental military capabilities. The UN Security Council continues to explore modalities for funding future AU peacekeeping operations.

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, and one region affected by long-term civil unrest that drew in a number of countries has now become stable. However, 2012 saw the emergence of new conflict and the spill over effects from another region into the Sahel. There is currently one low-intensity and one dormant inter-state conflict in Africa, in which the AU is actively mediating. Four countries are currently experiencing internal conflict, of which two are drawing in other actors. This represents

a significant decline, down from 11 countries just three years ago and 14 countries six years ago. Although Africa still accounts for 29% of refugees and 43% of IDPs worldwide, it is no longer true that the majority of wars are fought on African soil. There have also 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 were held in 6 post-conflict countries in 2012 (see also Topic 11). Africa currently faces threats to peace, security and stability from 4 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, border disputes which threaten relations between neighbouring countries; and fourthly, the destabilising as well as the humanitarian impact of droughts and famine.

What are the future priority actions?

Africa

- Step up efforts at continental and regional levels to manage and resolve conflict through African-led peace operations, wherever feasible, and enhance cooperation with the UN system as development partners;
- Address the root causes of conflict by aligning the African Peace and Security Architecture and the African Governance Architecture;
- Address the drivers of conflict through implementation of agreements relating to conflict resources and the spread of small arms and light weapons.

Development partners

- Continue political support for continental, regional and sub-regional peace and security initiatives;
- Provide financial, and where needed, logistic support for Africa-led peacekeeping and peace building efforts;
- 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. They have pledged on many occasions to raise additional domestic resources. They have also placed increasing emphasis on tackling illicit financial flows which reduce the resources available to governments (see also Topic 12).

Development partners: Supporting developing country efforts to mobilise national savings was a major commitment of the Monterrey Consensus, reaffirmed at the follow-up 2008 Conference in Doha. The domestic resource mobilisation pillar of the Multi-Year Action Plan agreed at the G-20 Summit in Seoul in 2010 includes commitments to (i) support the development of more effective tax systems; (ii) support work to prevent erosion of tax bases in developing countries including through exchanging tax information and supporting the effectiveness of transfer pricing regimes; and (iii) develop and harmonise benchmarking tax administration instruments.

What has been done to deliver on these commitments?

Africa: Many African countries have improved revenue mobilisation efficiency by broadening their tax base. Most countries in Africa have adopted value-added taxes to reduce reliance on trade taxes but in most countries, VAT laws tend to be complex. Twenty two countries have established 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's heaviest tax burden both in terms of high rates and cumbersome regulations (see also Topics 4 and 12). Also, free trade arrangements within Africa and between Africa and their major trading partners, together with the use of tax competition to attract foreign investments 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 take remedial action. 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:

(i) The OECD Task Force on Tax and Development provides support for developing countries on a broad range of tax issues including capacity building for tax administration, combating tax avoidance and evasion, and building effective transfer pricing regimes, in association with ATAF and other partners.

(ii) The Global Forum on Transparency and Exchange of Information for Tax Purposes was restructured in 2009, now includes 120 member jurisdictions including 17 African countries; African membership has almost doubled in the past 6 months. The Forum has launched over 100 peer reviews. A series of technical assistance programs have been launched by the Forum to assist smaller jurisdictions and developing countries to meet the standard.

(iii) There has been a steady increase in the number of exchange of information agreements. Three African countries have signed the Convention on Mutual Administrative Assistance in Tax Matters which is the most comprehensive multilateral instrument available to help counter cross-border tax evasion and ensure compliance with national tax laws.

(iv) A Global Forum on Transfer Pricing has been established, and the UN has published the Practical Manual on Transfer Pricing for Developing Countries providing guidance on the policy and administrative aspects of applying transfer pricing analysis to transactions of multinational enterprises (MNEs). Recent developments have, however, underlined the complexity of the challenges involved and the need to address these not only through building effective domestic transfer pricing regimes but also by stronger international action.

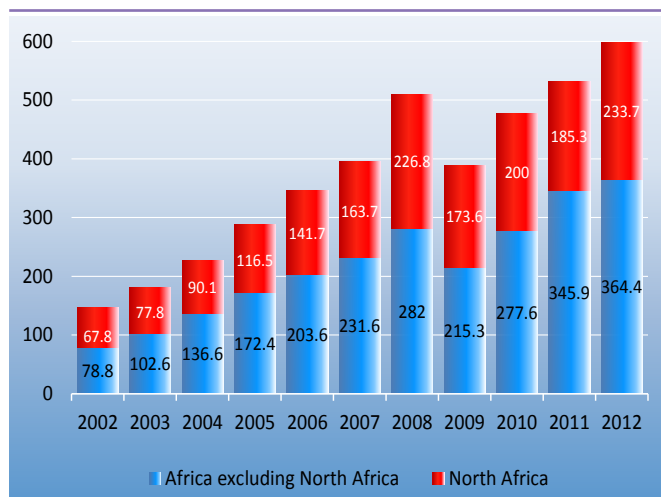
Continued recovery of domestic revenues following global crisis reaches new highs in 2012. More needed to broaden tax base together with international efforts to address tax havens and transfer pricing.



© African Tax Administration Forum launch Uganda, November 2009

Sources: IMF World Economic Outlook database (April 2013); OECD-DAC International Development Statistics database; World Bank Migration and Development Brief (Nov. 2012); International Debt Statistics (2013); World Bank Global Economic Prospects (2013).

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



What results have been achieved?

(i) Total government revenue excluding grants increased from 25% to over 32% of GDP between 2002 and 2008. As a result, Africa more than tripled its revenue collection over the period to reach over US\$509 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 20 African 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 9 countries (or 17%) still collected less than 15% of GDP in 2012. However, from a global perspective, public resource mobilisation in Africa (excluding North Africa) remains weak compared to other regions. Recent assessments of tax effort by the IMF show that half of countries in this group can, on the basis of their economic potential, further raise the equivalent of 2% to 4% of GDP in revenue.

(ii) 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% below the previous year, to US\$390 billion. This decline occurred mostly in oil exporters. Government revenue has recovered strongly since then to reach a new high of US\$580 billion in 2012. The increase in domestic revenue mobilisation was particularly strong in sub-regions outside of North Africa with collective revenues reaching over US\$364 billion in 2012 for this group, or 4.5 times the level mobilised 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.

(iii) The level of domestic revenue continues to be affected by illicit financial flows. Estimates are debated but there is consensus that the sums are very large. International tax evasion and avoidance are a significant element in this.

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

- Intensify co-operation with Africa on the development of more effective tax systems, (see also Topics 12 and 15);
- Intensify co-operation on preventing the erosion of tax bases, including through improved exchange of information and support for building effective transfer pricing regimes;
- Develop broader work on improving the effectiveness of transfer pricing regimes.

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 reaffirmed their support to increase foreign investment (see also Topic 4). In the Doha Declaration, member states agreed to strengthen national and international efforts aimed at maximising linkages between foreign investments and domestic production activities. The G-8's goal of reducing the transfer costs of remittances from 10% to 5% by 2014, announced in 2009, was adopted by the G-20 in 2011.

What has been done to deliver on these commitments?

Africa: To compete globally for foreign investments many African countries have put in place incentives to attract foreign direct investment (FDI). African countries have signed 1,304 international investment agreements (IIA), 40% of all signed IIAs worldwide. The Southern African Development Community (SADC) has been working on a model bilateral investment treaty template to promote harmonised approaches among its member countries. The African Union has created the African Institute for Remittances (AIR) to build capacity of African countries to leverage remittances for development. Many countries have made progress in rendering exclusivity contracts illegal which increases competitiveness and reduces transfer costs of remittances.

Development partners: 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. Under the Global Remittances Working

Group partners have launched initiatives on remittance data collection, migration and development, payment and market infrastructure, and access to finance. As part of this effort, the World Bank is helping one country develop mechanisms to securitise savings by its diaspora through Diaspora bonds.

What results have been achieved?

Until the global financial crisis of 2008-09, Africa experienced six consecutive years of growth in private capital inflows, which reached a record high of almost US\$70 billion in 2007. Flows recovered strongly in 2010 but have suffered declines in the last two years. Political turmoil in North Africa saw private capital flows to the region fall 81% in 2011-12 to a low of US\$3 billion. By contrast, private capital flows to the four other sub-regions increased by 14% over the period to a record \$54.5 billion. Much of the increase was driven by FDI and bond flows. FDI inflows were attracted by major gas discoveries, oil well drilling and new mineral deposits across several parts of the continent. And while the extractive sector continues to dominate FDI flows, there were increasing investments in the services sector, infrastructure, and consumer sectors such as retail trade and consumer banking in the larger economies with a growing middle class. Currently, 14 out of 54 countries in Africa have issued foreign currency-denominated instruments on the international markets; 4 of these issues took place in 2012.

About two-thirds of FDI flows into Africa have helped to finance new projects. The cumulative stock of FDI was estimated at US\$559 billion at end-2011 with North Africa holding the largest share (37%) followed by Southern Africa (29%), West Africa (19%), Central Africa (8.5%) and East Africa (6%).

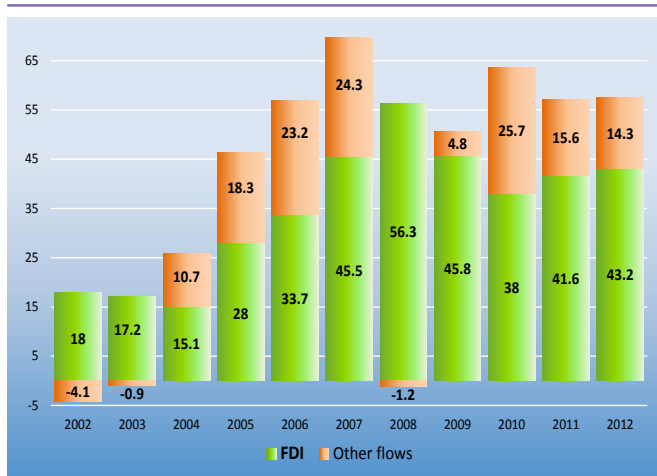
Although modest in size from a global perspective, FDI inflows to Africa have a significant impact on recipient countries. About half of Africa has received FDI in excess of \$500 million in one or more years in the recent period. Excluding North Africa, FDI accounted for more than 20% of total investment in over a third of African countries and has helped to raise total domestic investment as a share of GDP by almost 4 percent-

Private flows to North Africa still affected by political unrest, but other sub-regions reach record highs. FDI remains most significant component.



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



Sources: WB International Debt Statistics, January 2013; WB Global Economic Prospects, January 2013; UNCTAD, World Investment Report 2012; IMF World Economic Outlook database, April 2013.

age points since the late 1990s. According to the UNCTAD FDI Contribution Index, Africa is the region where transnational corporations contribute the most to the economy in terms of value added, R&D expenditures and wages. Estimates by the African Development Bank based on a sample of 34 countries for the period 2004-08 show that the impact of FDI on savings and investments is 5 to 7 times larger than official development assistance.

Portfolio equity flows to Africa (excluding North Africa), 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 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. While South Africa has traditionally been the

major recipient of portfolio equity in Africa, in recent years, 5 African countries have experienced portfolio equity flows in excess of \$500 million on a yearly basis.

With increasing global migration flows, workers' remittances have become an important source of inflows for many African countries. Between 2000 and 2012, remittances to Africa rose sevenfold to US\$60.3 billion, exceeding official development assistance. After a decline in 2009 in the aftermath of the global financial crisis, remittance flows rose 20% in 2011-12. Such growth has been led by North Africa, which experienced a 33% increase in remittances over the period as the diaspora sent larger amounts of money to help families and friends affected by the political unrest. Actual remittances to the other African sub-regions are estimated to be much larger if transfers through unofficial channels are included. For 13 countries in the region, remittances accounted for more than 4% of GDP in 2011. The cost of remittances to Africa has declined somewhat but remains the highest among developing regions at 12.4% at end-2012.

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 to enhance the contributions of FDI to the economy;
- Develop the capacity at country and sub-regional levels to promote and better track remittance trends, leverage their development impact, and reduce their transaction costs.

Development partners

- Support Africa's effort to promote and diversify private capital inflows;
- Strengthen actions to facilitate remittance flows and to reduce transfer costs.

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 the 2008 Accra Agenda for Action and reaffirmed in the 2011 Busan Partnership for Effective Development Co-operation.

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 reaffirmed 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\$65 billion in 2010 (2012 prices and exchange rates). They have also agreed that new sources of finance needed to be developed, and set quantified targets for climate finance (see Topic 18).

A second category of commitments relate to improving aid effectiveness, particularly in the areas of alignment to countries' policies and systems, harmonisation of practices, transparency and predictability. Some made additional voluntary commitments under the 2008 International Aid Transparency Initiative (IATI). Several time-bound Busan commitments on aid untying, transparency and predictability required early action including a review in 2012 of plans to accelerate efforts to untie aid, publication by end-2012 of schedules to implement a common standard to improve aid transparency, and the provision of reliable 3-5 year forward expenditure figures or implementation plans to all developing countries by 2013. Emerging economies have accepted the Busan outcome document as a reference point for South-South co-operation.

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. 13 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 2012, although some individual partners have met their commitments. Total ODA fell to US\$125.6 billion (2012 prices), a drop of US\$8 billion in nominal terms and 4% in real terms, following a 2.3% drop in real terms in 2011. It was significantly below the 2010 level implied by 2005 commitments, of around US\$146 billion in 2012 prices. The fall was most marked in those countries with weak fiscal positions. Slightly over half (US\$4.5 billion) was in Africa, which was thus affected disproportionately compared to its 38% share of global ODA in 2011. 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 (see also Topic 18). Discussions continue on the introduction of a levy on financial transactions to support development among other objectives.

Global progress on aid effectiveness has, moreover, been insufficient to meet most of the targets set in the Paris Declaration. The 2011 OECD Report on Progress in implementing the Paris Declaration found that 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. In particular, donors are not systematically making greater use of country systems where these are more reliable. Progress on aid transparency has gathered pace, with 100 agencies publishing data to IATI standards. But evidence to date suggests that more efforts are needed to implement the Busan commitments on aid untying, transparency and predictability and address political constraints. Progress in accelerating efforts to untie aid is patchy. A number of donors have untied 90% or more of their ODA. But while some are committed to making further progress, others see little scope for additional untying in areas that they see as politically difficult. At the end of 2012, all 24 DAC members had published schedules for implementing the common standard on aid transparency by the end of 2015 though further

Aid to Africa falls in 2012 and remains below 2010 targets. Commitments on aid effectiveness only partially met. Aid to Africa should be increased in line with earlier commitments.



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clarity on what 'minimum compliance' to the common standard entails is required. But the specific Busan commitment on medium-term predictability is unlikely to be fully met by 2013. Although several donors have made efforts to improve the availability of forward spending information, such efforts tend to focus on "priority" partner countries. Few donors appear to be on track to provide developing countries with comprehensive, rolling forward spending plans. A new stock take of progress will be undertaken by mid-2013 on the basis of the set of 10 indicators agreed in June 2012 to support global accountability within the Global Partnership for Effective Development, along with an assessment of the plans for implementing the common standard.

What results have been achieved?

On aid volume, ODA to Africa fell from US\$50.7 billion in 2011 to US\$ 46.1 billion in 2012 (preliminary data), around US\$19 billion below the 2010 level implied by 2005 commitments (around US\$65 billion in 2012 prices). The shortfall is due to two factors. Global ODA has risen more slowly compared to commitments (as above). But Africa has also had a smaller share than anticipated - about 34% of the increase since 2004 instead of the 50% assumed in 2005, or US\$15.7 billion compared to US\$22.9 billion. Africa's share of global ODA has been largely

static since 2007, and indeed fell between 2011 and 2012. The issue is therefore one of both global volume and distribution. Forward spending plans provided by donors for country programmable aid (CPA) (about 56% of bilateral ODA in 2011) indeed suggest a shift in shift in ODA towards middle-income countries in the Far East and South and Central Asia. By contrast, CPA is likely to stagnate to countries with the largest MDG gaps and poverty levels, many of which are in Africa. On innovative finance, an estimated US\$5.8 billion for health and US\$2.6 billion for climate and other environmental programmes have been managed through such mechanisms since 2002. On aid effectiveness, evidence suggests that improvements in aid delivery have made a helped to strengthen core state functions although the actual contribution to final development outcomes is difficult to establish. On aid untying, some issues remain concerning the extent to which *de jure* untied aid is actually untied in practice and to demonstrate tangible development benefits for partner country beyond better value for money. Since donors are only just beginning to publish their aid information according to the common standard, it is too early to comment on results, and on what difference transparency on financial flows is making in developing countries.

What are the future priority actions?

Africa

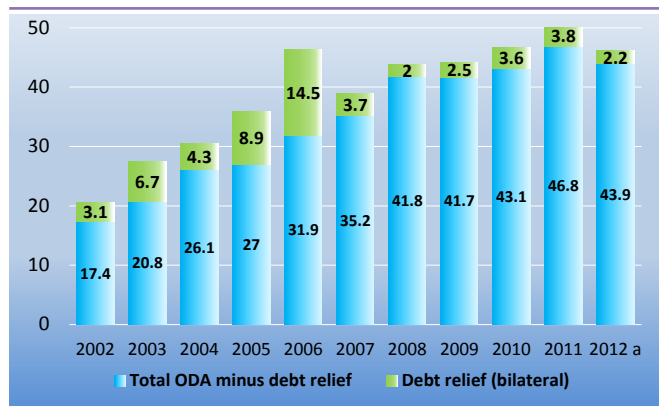
- Exercise effective leadership and develop capacity in coordinating and harmonising donor activities;
- Develop country-level frameworks for monitoring results in terms of development effectiveness, especially in the context of implementing the Busan commitments;
- Strengthen public financial management 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 on improving aid predictability and transparency and accelerating efforts on aid untying;
- Sustainability: ensure ODA is compatible with longer-term sustainability objectives.

Source: OECD-DAC, International Development Statistics database.

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



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 joint responsibility by debtors and creditors for preventing and resolving unsustainable debt situations. More specifically, it called for a speedy, effective and full implementation of the enhanced Heavily Indebted Poor Countries (HIPC) initiative. In 2005, G-8 countries further committed, through the Multilateral Debt Relief Initiative (MDRI), to cancel 100% of outstanding debts of eligible HIPCs to the IMF, the International Development Agency and the African Development Fund. The 2008 Doha Financing for Development Conference stressed the need to avoid a recurrence of unsustainable levels of debt and the 2011 G-8/Africa Joint Declaration in Deauville reiterated the call to preserve debt sustainability in Africa. In 2011 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. In 2012 the UN General Assembly adopted a draft resolution which stressed the importance of responsible lending and borrowing.

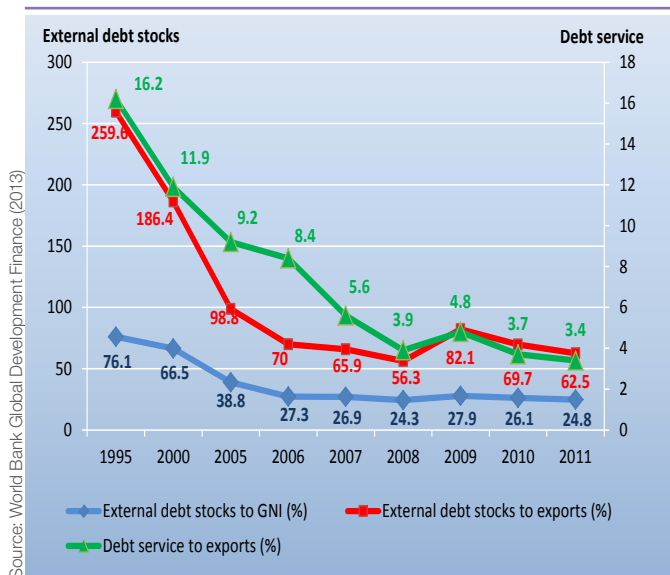
What has been done to deliver on these commitments?

Africa: Debt management systems in most African countries have progressed, but important gaps remain. Many countries have undertaken efforts to co-ordinate debt management and macroeconomic policies across key government agencies. Debt management units and debt recording systems exist in most countries but analytic capacity and information sharing between different government agencies responsible for contracting debt need strengthening.

Development partners: The HIPC and MDRI initiatives have made substantial progress. To help eligible low-income countries reduce their commercial external debt, the World Bank's Debt Reduction Facility (DRF) has helped HIPCs extinguish commercial debts at a steep

discount. The DRF has recently been extended to 2017 and will be in a position to help the other 20 HIPCs sharply reduce their commercial debt, estimated in excess of US\$10 billion. The World Bank and the IMF have introduced the Debt Sustainability Framework (DSF), a standardised framework designed to help guide low-income countries in their borrowing decisions and provide guidance for creditors in lending and grant allocation decisions. To allow countries with new borrowing space to finance public investment, partly on non-concessional terms, the DSF was recently revised by taking into account the assets and future income that public investment may generate, particularly in the context of G-20 commitments to increase financing for African infrastructure.

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

Debt service burden for countries in Africa (excluding North Africa)

External debt burden fallen dramatically creating savings on debt servicing. Continued efforts needed to secure long-term debt sustainability as number of countries facing debt distress increases.



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including partial write-offs. In 2011 the OECD and South Africa set up the 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 African countries currently eligible under HIPC, 29 have reached the completion point (3 more than last year) and received irrevocable debt relief under HIPC and 100% debt cancellation under the MDRI. Another country is expected to reach completion point within the next 12 months. Three 'pre-decision point' countries which continue to face fragile political situations are about to start or are at the very initial stage of the process of qualifying for HIPC debt relief. Finally, a 34th African country may become eligible to HIPC/MRDI debt relief, although this would require some adjustment of the eligibility criteria. The total debt relief effort for all eligible African HIPCs amounted to US\$105 billion in nominal terms by end-2012, US\$67 billion under HIPC and US\$38 billion under the MDRI. Multilateral agencies and Paris Club creditors bear over 80% of the total cost of the HIPC Initiative.

Over US\$5.5 billion of external commercial debt has also been written off in 15 African HIPCs supported by the DRF. By helping countries reduce or eliminate commercial debt which is not covered by the HIPC Initiative, the DRF has also helped reduce the threat of litigation against HIPCs. Decisions by one partner to ban lawsuits from the so-called 'vulture funds' — which bought commercial debt owed by HIPCs at sharply discounted prices and then sued countries to recover payment of the debt's face value — have provided some relief but a small number of African HIPCs are still facing the threat of litigation.

After a low of \$193 billion in 2006 at the height of the HIPC Initiative and the MRDI, Africa's total stock of external debt (excluding North Africa) has risen by an annual average of 11% since between 2006 and 2011. One third of the debt buildup in recent years is attributable to private sector debt and reflects the worldwide trend of the sharply rising share of private debt in developing countries. But expressed as a percentage of gross national income and export of goods and services, both the

stock of debt and debt service payments have declined by over two thirds as a direct result of these initiatives. Debt service payments expressed as a share of exports fell from 11.5% in 2000 to less than 3.4% in 2011. Nevertheless, several challenges remain:

- The four countries that have not yet completed the requirements for full debt relief face common challenges and 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, which together account for 25% of total HIPC Initiative costs, remains to be secured; and
- While most African countries have benefited from the one-off debt relief exercises covered by the HIPC, MDRI, and DRF initiatives, recent debt buildup, particularly by the private sector, has led to a worsening of debt sustainability. Fourteen of the 33 HIPCs are facing moderate risk of debt distress while 7 are in high risk of debt distress.

What are the future priority actions?

Africa

- Maintain efforts to enhance debt management and sustainability, including debt incurred by the private sector and domestic debt by the public sector;
- For the remaining 4 pre-HIPC completion countries, sustain efforts to reach the decision point and completion.

Development partners

- Maintain vigilant monitoring of the debt situation in Africa and provide support to strengthen debt management capacities in African countries;
- Continue efforts to ensure that eligible HIPCs get full debt relief from all their creditors and discourage lawsuits against HIPCs by non-cooperating creditors and vulture funds;
- 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) in 2009 urged that climate finance should be new and additional and provided primarily in the form of grants. In 2011, AMCEN stressed the importance of ensuring direct access to funding, equitable allocation, and a balance between adaptation and mitigation. In 2012, it called for agreement on the sources and scale of public financial resources to be provided in the period starting 2013 and for progress on the Green Climate Fund (GCF). African Heads of State also called for the establishment of an Africa Green Fund (AfGF) to improve access of African countries to climate financing including the management of resources allocated to Africa under the GCF.

Development partners: 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 committed to jointly mobilise US\$100 billion per year by 2020.

What has been done to deliver on these commitments?

Africa: The UNECA together with the African Climate Policy Centre (ACPC) have organised three conferences in 2011–2013 on climate change, including climate finance and development in Africa. Most African countries have either eliminated or significantly reduced fossil fuel consumption subsidies thereby indirectly shifting support for climate actions. The African Development Bank (AfDB) has developed a framework for the proposed AfGF. The AfDB has also launched the Africa Carbon Support Programme (ACSP) to promote Clean Development Mechanism (CDM) activities. With support from UNFCCC, the West African Development Bank has established a support office to help promote CDM activities in West Africa.

Development partners: A total of 19 different climate funds, bilateral and multilateral, are active in supporting climate-related activities in Africa. Under the aegis of the UNFCCC and the Kyoto Protocol, three funds have been es-

tablished: (1) the Least Developed Countries Fund (LDCF) with US\$525 million pledged to date to help least-developed countries prepare and implement national adaptation programs of action (NAPAs); (2) the Special Climate Change Fund (SCCF), with US\$241 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 with US\$300 million received including pledges by some bilateral donors. In addition, the Global Environment Facility (GEF) has used contributions to the GEF Trust Fund to support climate related projects. These resources are provided in the form of grants.

Much larger funding mechanisms have been set up outside of the UNFCCC, most of them not provided as grants. Most noteworthy are the Climate Investment Funds (CIF), four separate funding windows channelled through the World Bank Group and the four regional development banks to help developing countries pilot low-emissions and climate resilient development and address deforestation. The CIFs have received pledges of US\$7.2 billion from 14 countries. A number of specialised funds such as the Congo Basin Forest Fund, the MDG Achievement Fund and the UN-REDD Programme, with cumulative pledges of US\$408 million, have been established to help reduce emissions from deforestation and forest degradation and to promote energy efficiency and renewable resources (see also Topics 5 and 6).

Fast Start Funding: According to the World Resources Institute, pledges totalled US\$28 billion as of November 2012.

Longer-Term Funding: The decision to establish the GCF was made in Cancun in 2010 to channel a substantial part of future climate change financing. COP17 at Durban adopted the Fund's governing instrument. Discussions in Doha have focused on the governance structure of the GCF and operational regulations and procedures. There is little progress on funding issues.

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:

(i) Total cumulative disbursements to Africa from multilateral climate funds have reached an estimated US\$750 million. The LDCF and SCCF have disbursed US\$234 million combined, with US\$102 million to Africa. Since

Africa's access to climate finance remains marginal and future volumes of international finance are unclear. Greater African involvement in emerging funds including Green Climate Fund is vital.



UN climate change ©

the Adaptation Fund became operational in 2009, US\$166 million has been approved, of which US\$8.5 million had been disbursed to 7 countries in Africa. Disbursements under the regular GEF trust funds amount to US\$123 million; (ii) US\$2.5 billion of the ClFs' US\$7.6 billion has been allocated to Africa (US\$1.9 billion through the Clean Technology Fund and US\$0.6 billion through the Strategic Climate Fund). Around US\$1 billion is being channelled through the AfDB, to which it is adding US\$1 billion of its own funds. An estimated US\$630 million has been disbursed, suggesting bottlenecks in programme implementation; (iii) The 19 climate funds active in Africa (excluding North Africa) have approved a total of US\$2.1 billion since 2003 (and increased US\$300 million since 2011), although over a quarter of this has been allocated to South Africa. Disbursements are substantially less and in some cases, unknown. ODA to Africa identified by donors as having climate change as a principle or significant objective totalled US\$4 billion in 2011, \$1.9 billion for mitigation and \$2.1 billion for adaptation – substantially lower than the required annual US\$18 billion estimated by the World Bank; (iv) On Fast Start Funding, poor information and procedures for monitoring, reporting and verification make it impossible to estimate disbursements. How much climate funding will be available between 2013 and 2020, when the GCF is supposed to be operational, remains unknown. No formal pledges have been made, although developed countries promised to maintain

through 2015 the average finance levels provided during 2010-12, or roughly \$10 billion a year. Delivery mechanisms are also unclear; (v) Africa's access to carbon finance has been marginal but is improving. Carbon offsets - known as the Certified Emission Reduction (CERs) - through CDM projects have been a major catalyst of low-carbon investments in developing countries. The CDM, which now has 6000 registered projects, has deployed US\$215 billion in investment. While African countries were largely by-passed in the past they emerged stronger in 2011, accounting for 21% of post-2012 CERs contracted, the equivalent of US\$421 million. 36 African countries submitted a total of 266 CDM projects, a 42% increase over the previous 12 months. But the CDM is also being challenged by low carbon prices due to weak demand, the result of weak commitments to reduce GHG emissions. Wider domestic policies, such as support for green investment, have a key role to play in creating the conditions for scaling up climate finance. To increase investment in low carbon, climate resilient infrastructure, it is essential to integrate climate change considerations into infrastructure and investment policies. In most countries, environmental and investment policies still function quite separately and sometimes at cross-purposes.

What are the future priority actions?

Africa

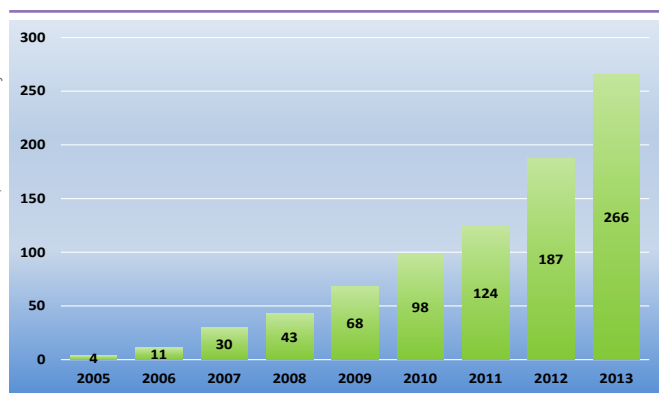
- Build institutions and programmes to access, use, and manage climate finance effectively and efficiently;
- Strengthen capacities to better engage in CDM and REDD+ processes;
- Make stronger horizontal links between climate, investment and infrastructure policies, in order to attract low carbon/climate resilient investment.

Development partners

- Help secure adequate and sustained funding in the interim 2013-20 period and for the Green Climate Fund;
- Support reforms, such as streamlining CDM registration and emission credit issuance to make existing carbon market mechanisms more relevant and accessible to Africa;
- Improve regulatory frameworks to attract low carbon/climate resilient investments.

Source: UNEP Risoe Centre, CDM/JM Analysis and Database

Number of CDM projects in Africa





PART II

Appendices

Charts & figures

- Real GDP growth rates*
- Contribution to overall growth by sub-region (%)*
- Nominal GDP by sub-region*
- Shares of the 5 sub-regions in total GDP*
- Millennium Development Goals: Progress at 2012*
- Development finance: overview table*
- Private flows table*
- Development finance: charts*
- Development assistance: overview table*
- ODA to Africa by sector*
- Regional shares of net total ODA*
- Public revenues/ODA: distribution of African population*
- Poverty statistics: Regional breakdown*
- Population growth by age group*

Boxes

- Box 1. Poverty*
- Box 2. AU Action Plan on establishment of a continental free trade area (CFTA)*
- Box 3. Domestic expenditure on health and education*
- Box 4. Employment*
- Box 5. Illicit financial flows*
- Box 6. G20 and development*

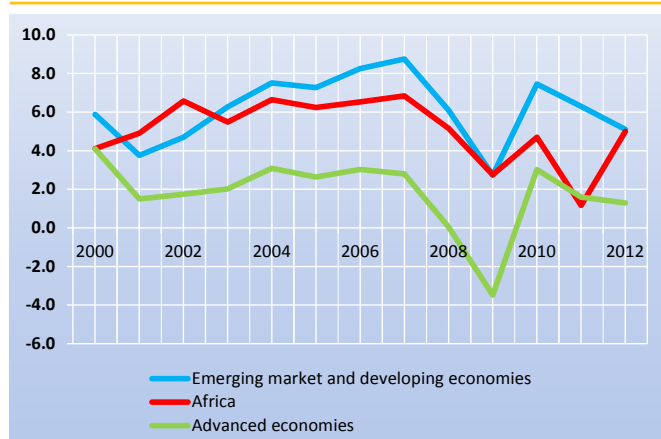
References & Terms

Acronyms

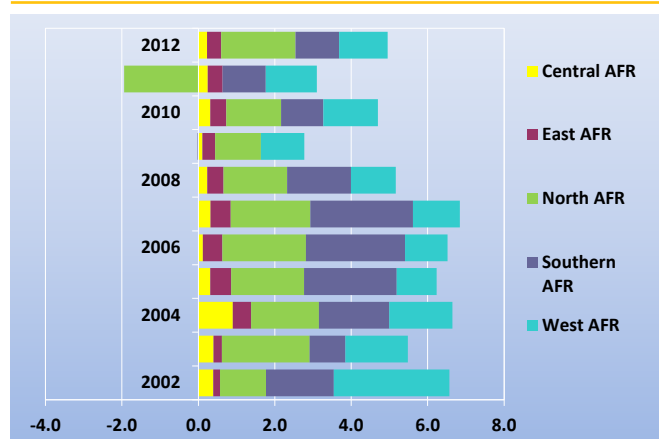
Acknowledgements

CHARTS & FIGURES

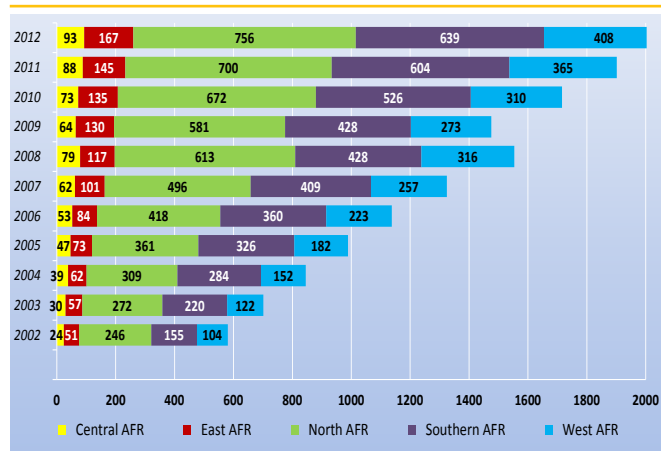
Real GDP growth rates (%)



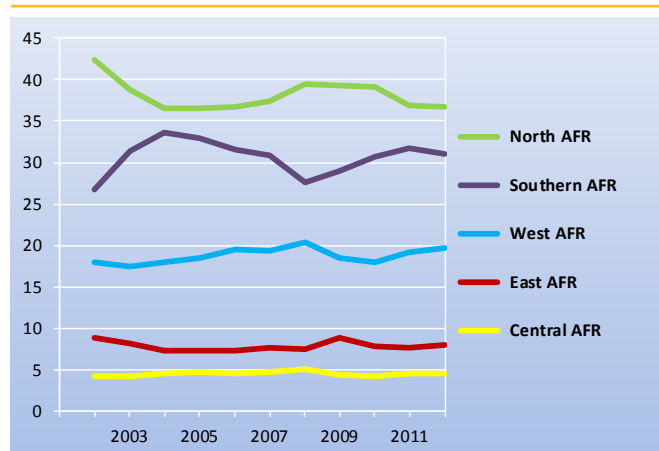
Contribution to overall growth by sub-region (%)



Nominal GDP by sub-region (US\$ billion)



Shares of the 5 sub-regions in total GDP (%)











Real GDP growth rates (%)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Emerging and developing economies	5.9	3.8	4.7	6.3	7.5	7.3	8.2	8.7	6.1	2.7	7.4	6.3	5.1
Africa	4.1	4.9	6.6	5.5	6.6	6.2	6.5	6.8	5.2	2.8	4.7	1.2	5.0
Advanced economies	4.1	1.5	1.7	2.0	3.1	2.6	3.0	2.8	0.1	-3.5	3.0	1.6	1.3

Sources: International Monetary Fund, World Economic Outlook Database; UNECA, Economic Report on Africa 2013 using UN-DESA 2012 data for 2012 Africa growth rate.

Millennium Development Goals: progress at 2012

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:

- Target already met or expected to be met by 2015
- Progress insufficient to reach the target if prevailing trends persist
- No progress or deterioration

	North Africa	Africa (excluding North Africa)
 GOAL 1: ERADICATE EXTREME POVERTY AND HUNGER		
Reduce extreme poverty by half	low poverty	very high poverty
Productive and decent employment	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 old 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 begin to reverse spread of HIV/AIDS	low incidence	high incidence
Halt and reverse spread of tuberculosis	low mortality	high mortality
 GOAL 7: ENSURE ENVIRONMENTAL SUSTAINABILITY		
Halve proportion of population without improved drinking water	high coverage	low coverage
Halve proportion of population without sanitation	high 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	moderate usage

Sources: United Nations, based on data and estimates provided by: Food and Agriculture Organization; Inter-Parliamentary Union; International Labour Organisation; International Telecommunications Unions; UNAIDS; UNESCO; UN-Habitat; UNICEF; UN Population Division; World Bank; World Health Organisation - based on statistics available as of June 2012. Compiled by Statistics Division, Department of Economic and Social Affairs, United Nations, 2012

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012e
Domestic revenue	146.6	180.3	226.8	288.8	345.4	395.3	508.8	388.8	477.5	531.2	598.1
Private flows	13.9	16.3	25.8	46.3	56.9	69.8	55.1	50.6	63.7	57.2	57.5
ODA*	20.4	27.5	30.4	35.9	46.4	38.9	43.8	44.2	46.7	50.7	46.1
Total	180.9	224.1	283.0	371.0	448.7	504.0	607.7	483.6	587.9	639.1	701.7
<i>Memo item: Remittances</i>	(12.8)	(15.3)	(19.5)	(33.7)	(37.7)	(44.9)	(49.7)	(45.4)	(52.3)	(56.8)	(60.3)

North Africa

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012e
Domestic revenue	67.8	77.8	90.1	116.5	141.7	163.7	226.8	173.6	200.0	185.3	233.7
Private flows	2.1	3.1	3.8	11.3	17.0	16.1	16.7	13.5	15.9	4.5	3.0
ODA*	2.3	2.4	3.4	2.8	3.0	3.6	3.8	3.8	2.5	3.9	3.6
Total	72.2	83.3	97.3	130.6	161.7	183.4	247.3	190.9	218.4	193.7	240.3
<i>Memo item: Remittances</i>	(7.9)	(9.6)	(11.5)	(13.1)	(13.9)	(18.2)	(19.8)	(17.4)	(23.0)	(25.5)	(29.0)

Africa (excluding North Africa)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012e
Domestic revenue	78.8	102.6	136.6	172.4	203.6	231.6	282.0	215.3	277.6	345.9	364.4
Private flows	11.8	13.2	22.0	35.0	39.9	53.7	38.4	37.1	47.8	52.7	54.5
ODA*	18.1	25.1	27.0	33.1	43.4	35.3	40.0	40.4	44.2	46.8	42.5
Total	108.7	140.9	185.6	240.5	286.9	320.6	360.4	292.8	369.6	445.4	461.4
<i>Memo item: Remittances</i>	(4.9)	(5.8)	(8.0)	(20.6)	(23.8)	(26.6)	(29.9)	(27.9)	(29.3)	(31.3)	(31.3)

* Unallocated ODA (shown in the Development Assistance table opposite), which reflects regional projects or programmes, is split between North Africa and Africa (excluding North Africa) in this table. eODA figures for 2012 are preliminary estimates.

Sources: IMF World Economic Outlook database (April 2013); OECD-DAC International Development Statistics database; World Bank Migration and Development Brief (Nov. 2012); International Debt Statistics (2013); World Bank Global Economic Prospects (2013).

Private flows table (US\$ billions, nominal)**Africa**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
FDI	18	17.2	15.1	28.0	33.7	45.5	56.3	45.8	38.0	41.6	43.2
Other flows	-4.1	-0.9	10.7	18.3	23.2	24.3	-1.2	4.8	25.7	15.6	14.3
Total	13.9	16.3	25.8	46.3	56.9	69.8	55.1	50.6	63.7	57.2	57.5

North Africa

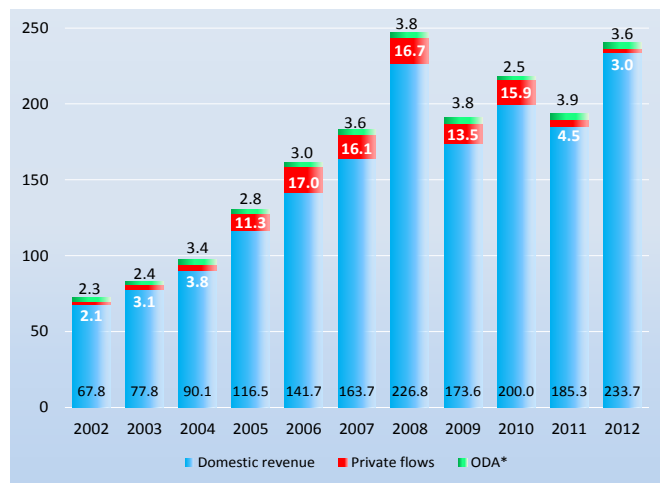
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
FDI	2.8	3.9	3.9	8.9	17.6	17.8	17.2	13.3	11.3	5.9	5.5
Other flows	-0.7	-0.8	-0.1	2.4	-0.6	-1.7	-0.5	0.2	4.6	-1.4	-2.5
Total	2.1	3.1	3.8	11.3	17.0	16.1	16.7	13.5	15.9	4.5	3.0

Africa (excluding North Africa)

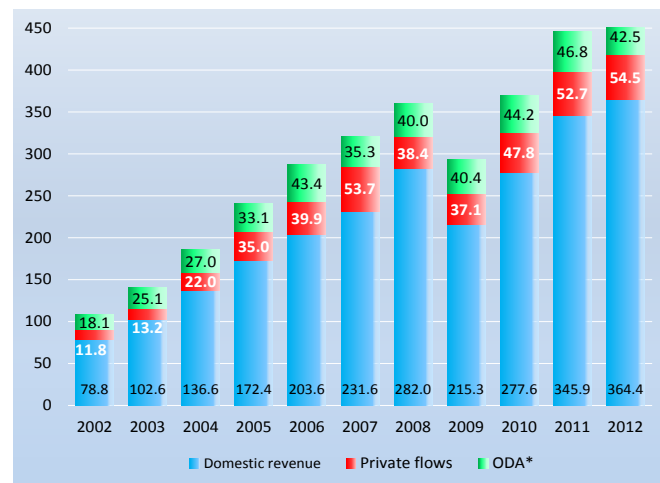
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
FDI	15.2	13.3	11.2	19.1	16.1	27.7	39.1	32.5	26.7	35.7	37.7
Other flows	-3.4	-0.1	10.8	15.9	23.8	26.0	-0.7	4.6	21.1	17.0	16.8
Total	11.8	13.2	22.0	35.0	39.9	53.7	38.4	37.1	47.8	52.7	54.5

Sources: WB International Debt Statistics, January 2013; WB Global Economic Prospects, January 2013; UNCTAD, World Investment Report 2013; IMF World Economic Outlook database, April 2013.

Development finance to North Africa (US\$ billion)



Development finance to Africa (excluding North Africa) (US\$ billion)



Sources: IMF World Economic Outlook database (April 2013); OECD-DAC International Development Statistics database; World Bank Migration and Development Brief, (November 2012); International Debt Statistics (2013); World Bank Global Economic Prospects (2013).

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

Region or country	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 (a)
Africa (excluding North Africa)	17.7	24.7	26.5	32.5	42.8	34.4	39.0	39.4	42.8	45.3	42.6
North Africa	2.1	2.2	3.1	2.5	2.7	3.1	3.3	2.9	2.4	3.4	3.6 (b)
Africa, unallocated	0.6	0.7	0.8	0.8	0.8	1.4	1.5	1.9	1.5	2.0	-
Total Africa	20.4	27.5	30.4	35.9	46.4	38.9	43.8	44.2	46.7	50.7	46.1
Debt relief (bilateral)	3.1	6.7	4.3	8.9	14.5	3.7	2.0	2.5	3.6	3.8	2.2 (c)
Total ODA minus debt relief	17.4	20.8	26.1	27.0	31.9	35.2	41.8	41.7	43.1	46.8	43.9
Share of Africa (%)	35.5	40.1	38.4	33.4	44.3	37.7	36.1	37.2	36.8	38.2	36.7
<i>For reference</i>											
Global ODA (US\$ billions)	58.6	69.5	79.9	107.9	104.9	104.3	122.0	119.8	128.3	133.7	125.7
ODA/GNI (%)	0.23	0.24	0.25	0.32	0.30	0.27	0.30	0.31	0.32	0.31	0.29

(a) Preliminary data and Secretariat estimates

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

(c) Data for debt grants Africa (excluding North Africa) only.

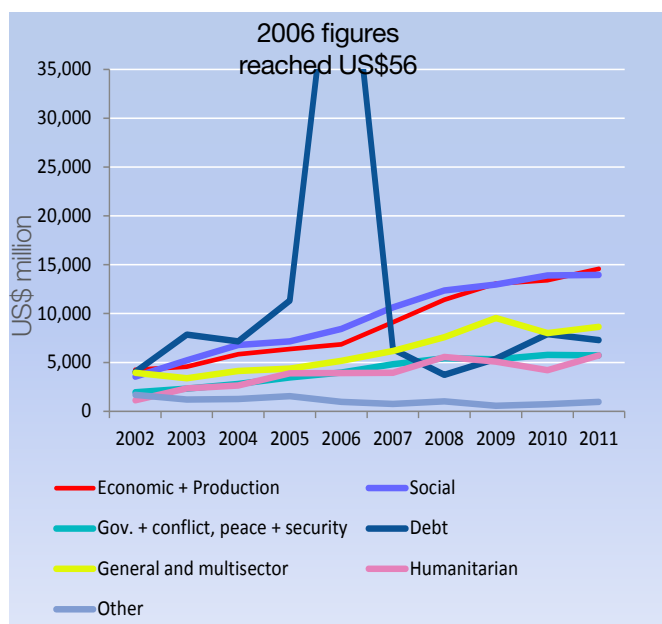
Source: OECD-DAC, International Development Statistics database.

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

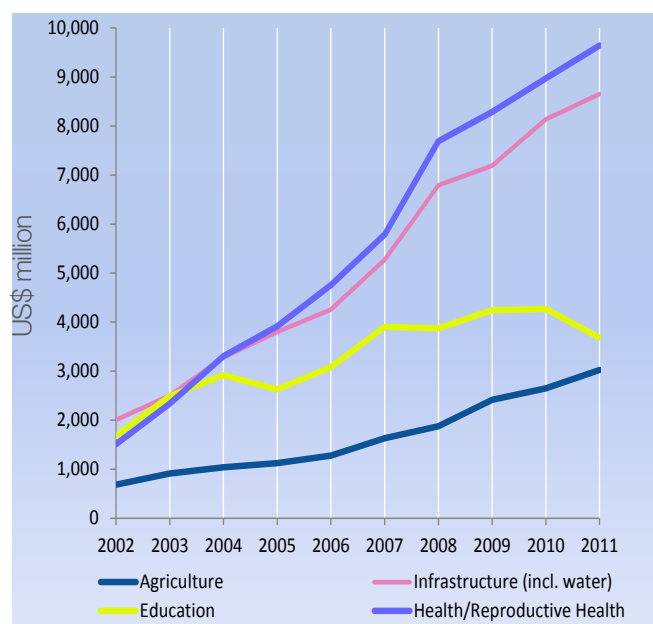
Gross Disbursements (US\$ million)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Economic activities and production	4,246	4,568	5,839	6,376	6,846	9,101	11,414	13,072	13,404	14,580
of which Agriculture	682	912	1,040	1,125	1,279	1,633	1,875	2,413	2,649	3,023
of which Infrastructure	2,004	2,501	3,282	3,801	4,256	5,272	6,792	7,189	8,134	8,651
Social sectors	3,532	5,226	6,785	7,169	8,443	10,634	12,369	12,973	13,897	13,955
of which Education	1,679	2,488	2,917	2,627	3,082	3,901	3,870	4,243	4,271	3,683
of which Health/Reproductive Health	1,511	2,337	3,306	3,915	4,756	5,791	7,690	8,288	8,968	9,644
Governance and conflict, peace and security	1,942	2,327	2,792	3,461	3,962	4,812	5,431	5,311	5,785	5,713
Multisector and general programme aid	3,935	3,369	4,116	4,354	5,176	6,165	7,586	9,542	8,012	8,631
Debt	4,020	7,839	7,146	11,328	56,170	6,359	3,719	5,363	7,908	7,291
Humanitarian	1,135	2,350	2,648	3,894	3,902	3,938	5,552	5,077	4,210	5,731
Other	1,685	1,211	1,263	1,551	973	756	1,029	575	731	958
TOTAL	20,497	26,891	30,589	38,133	85,472	41,765	47,100	51,913	53,947	56,858

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.

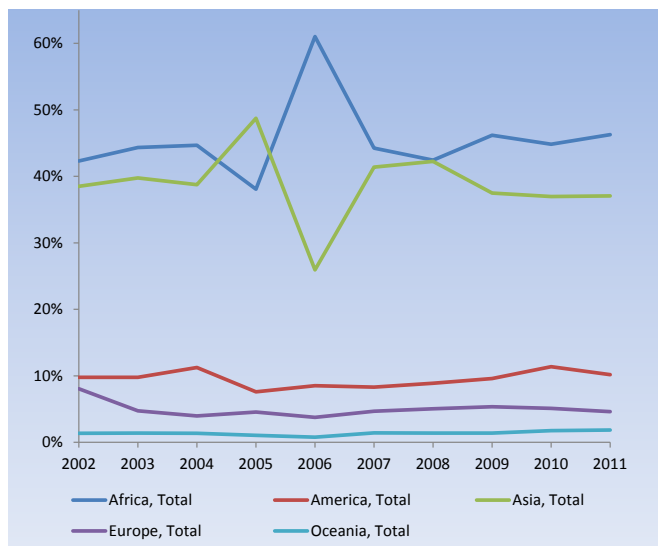
ODA to Africa by sector



ODA to Africa by sector

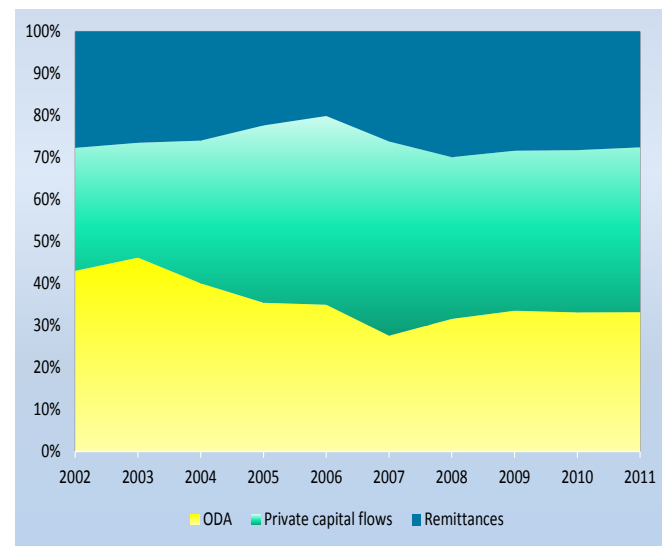


Regional shares of net total ODA



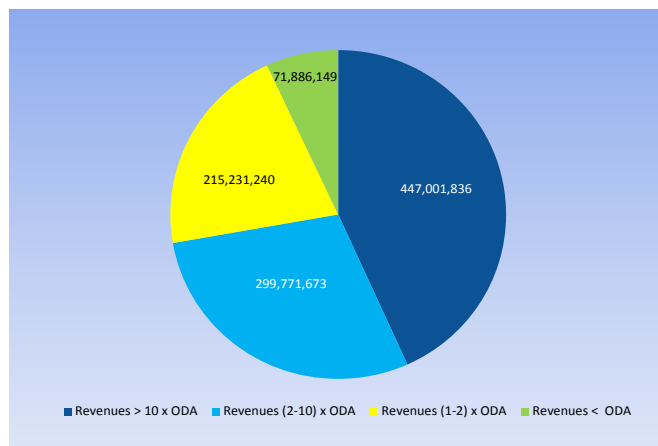
Source: OECD, DAC Secretariat.

External flows to Africa by share



Source: Staff calculations using the sources in the Development Finance Overview tables

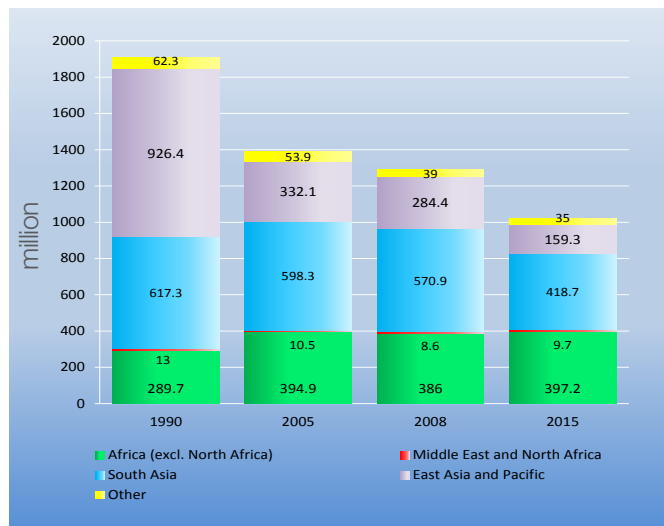
Public revenues/ODA: distribution of African population



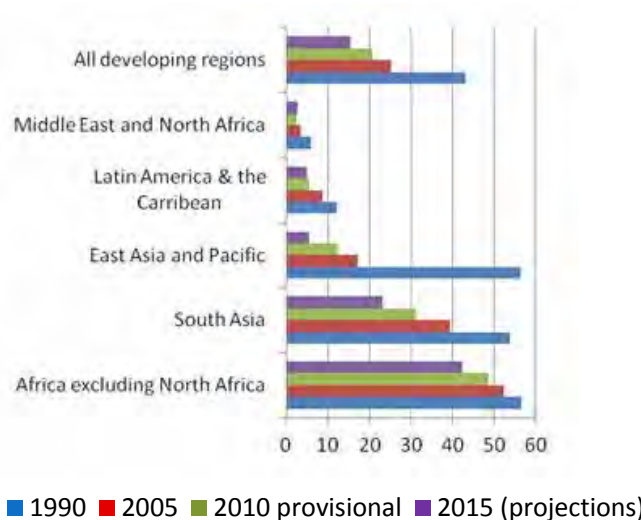
Staff calculations using IMF World Economic Outlook database (April 2013); OECD-DAC International Development Statistics database; World Bank Migration and Development Brief, (November 2012); International Debt Statistics (2013); World Bank Global Economic Prospects (2013).

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 counties 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.

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

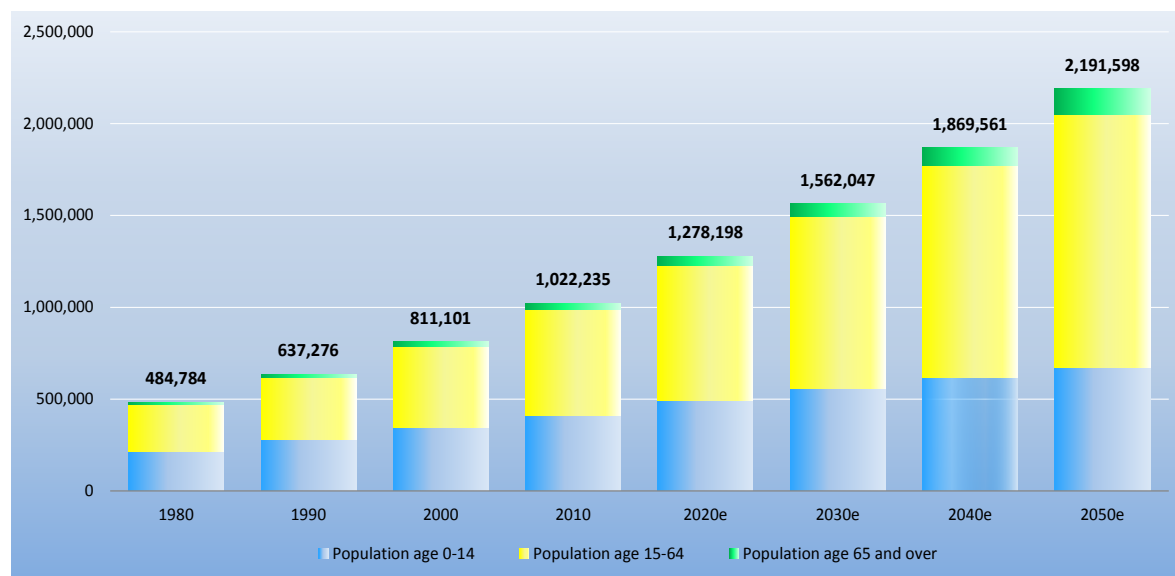


Proportion of people living on less than US\$1.25 a day by region (%)



Sources: World Bank Global Monitoring Report (2013) and World Development Indicators (April 2013).

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 changed picture in 2008-2010: the World Bank has recently updated its database on global and regional extreme poverty estimate for 2010. The new estimates should be interpreted with care particularly in Africa excluding North Africa where less than 65% of the total population is represented in survey data. With that caveat the latest estimates show that the combination of high food and fuel prices and the economic and financial crisis have slowed the rate of poverty reduction. The estimated poverty rate in 2008 is higher than previously estimated (49.2% compared to 47.5% in previous estimates) and there is expected to be only a marginal decline to 48.5% between 2008-2010. On this basis the World Bank projects a continued rise in the absolute number of poor - from 399 million in 2008 to 414 million in 2010 –28 million above the previous estimate of 386 million for 2008.

Looking ahead to 2015: Based on recent survey data, the World Bank projects that the poverty rate in Africa excluding North Africa will decline by about 1.2 percentage point a year between 2010-2015, approximately the same rate as between 2005-2008. By 2015, it is expected that there will be, for the first time, declines in both the poverty rate (from 48.5% in

2010 to 42.3%) and the absolute number of poor (from 414 million in 2010 to 408 million). However at country level, only 16 countries in Africa excluding North Africa have achieved or made enough progress to achieve the poverty goal of halving the poverty rate by or close to 2015. Five more countries are likely to achieve the target with an additional push leaving more than half of the countries off target, many seriously.

Global perspective: Although progress has slowed, global poverty rates have nonetheless continued to fall. The most recent World Bank estimates indicate that the global poverty rate fell to 20.6% in 2010 compared to 43.1% in 1990, showing that the MDG target of halving extreme poverty has been achieved. However slower progress in Africa excluding North Africa is altering the geography of poverty. The poverty rate in East Asia and the Pacific is projected to fall from 56.2% in 1990 to 5.5% in 2015. While South Asia is projected to have roughly the same number of poor as Africa excluding North Africa in 2015 (around 400 million), the poverty rate is still expected to fall by more than half - from 53.8% in 1990 to 23.2% in 2015 - about half the projected poverty rate in Africa excluding North Africa (42.3%).

	1990	1993	1996	1999	2002	2005	2008	2010 ¹	2015 ²
Share of Population living on less than US\$1.25 per day ^{a/} (%)									
Africa excluding North Africa	56.5	59.4	58.1	57.9	55.7	52.3	49.2	48.5	42.3
Middle East & North Africa ^{b/}	5.8	4.8	4.8	5	4.2	3.5	2.7	2.4	2.6
Share of Population living on less than US\$1.25 per day ^{a/} (millions)									
Africa excluding North Africa	290	330	349	376	390	395	399	414	408
Middle East & North Africa ^{b/}	13	12	12	14	12	10	9	8	9

¹ (provisional); ² (projections) ^{a/} Using 2005 purchasing power parity (PPP) estimates. ^{b/} Data are not available for North Africa separately. Sources: World Bank Global Monitoring Report (2013) and World Development Indicators (April 2013).

2. AU ACTION PLAN ON THE ESTABLISHMENT OF A CONTINENTAL FREE TRADE AREA (CFTA)

The Abuja Treaty, which was signed in 1991 and entered into force in 1994, envisages the creation of an African Economic Community through a six-stage process. Two stages are complete, with the creation of regional economic blocs and the strengthening of intra-REC integration and inter-REC harmonisation. The remaining stages are in progress, including the consolidation of a free trade area and a 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 2028.

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 2012 leaders adopted a Decision endorsing a Framework, Road Map and Architecture for a CFTA to:

- a) Finalise the COMESA, EAC and SADC Free Trade Area (FTA) initiative by 2014;
- b) To complete FTA(s) by Non-Tripartite RECs, by 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.

Cluster-focused task teams have been established to meet the Tripartite FTA objectives, and the political momentum for regional integration has continued with meetings under the High level Trade Committee (HATC), the Custom Technical Committee and the technical working group for the elaboration of a continental set of Rules of Origin.

According to CGE simulations, the establishment of the CFTA, when accompanied by robust trade facilitation measures that make custom procedures twice as efficient and halve the time merchandise is retained in African ports, could expand intra-African trade flows by as much as 52% by 2022 (totaling US\$ 34.6 billion). Under the same scenario, estimates also show that the share of intra-African trade could more than double from its 2010 level of 10.2 percent to 21.9 percent in 2022. Furthermore, introducing non-tariff measures to ease trading across borders on top of a CFTA would offset potential real income losses (arising from removal of tariff barriers) as well as considerably reinforce the sophistication of intra-African trade, expanding substantially exchanges of manufactured products.

The intensification of efforts to establish 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 towards the objective of a Continental Customs that can make available the finance necessary to facilitate the development of competent institutions and the Union. There are however still key challenges to overcome, including (i) addressing non-tariff barriers, (ii) improving productive capacities and financing and (iii) implementing the Programme of Infrastructure Development in Africa (PIDA). Sustained efforts towards the development of adequate human and technological capital in order to respond to Africa's industrialisation challenges are also paramount.

3. DOMESTIC EXPENDITURE ON HEALTH AND EDUCATION

A summary of trends in domestic expenditure on education and health is given under topics 7 and 8. This box gives further details, compares the trends in these two sectors, and also provides some regional comparisons, as well as a comparison with ODA volumes.

Trends in expenditure

Expenditure on health and education has increased significantly since 2000. Combined public expenditure on health and education now exceeds US\$120bn (and US\$178bn if private expenditure in health is included), and represents over 20% of public expenditure, and between 6-7% of GDP. In both cases the main determinant has been rising GDP, feeding through to rising government budgets. In the case of health, public expenditure has also risen as a proportion of government budgets, accounting for its faster rate of increase overall.

Public expenditure on health has thus risen faster - from US\$13.6bn in 2000 to US\$50.7bn in 2011 (about 92% in real terms). This was driven by a combination of rising GDP, an increase in domestic revenue as a proportion of GDP, and an increase from 8.2% to 8.4% of government budgets. The result was an increase in public expenditure on health from 2.3% to 2.7% as a share of GDP. The sum of private and public expenditures in health has increased from US\$31.8bn in 2000 to 107.9bn in 2011, rising from 5.4% to 5.9% of GDP.

Expenditure on education has also increased significantly, from US\$ 22.3bn in 2000 to 70.1bn in 2011 (about 60% in real terms). Although the rate of increase has been slower, public expenditure on education is still significantly higher than public expenditure on health – though below combined public and private expenditure. The increase was driven almost entirely by rising GDP, combined with an increase in domestic revenue as a proportion of GDP, but offset by a fall in expenditure on education from 14.3% to 11.8% of government budgets. Public expenditure on education fell from 4% to 3.8% of GDP, lagging slightly behind GDP growth.

Comparison with Official Development Assistance (ODA)

For Africa as a whole, domestic expenditure is significantly greater than ODA in both sectors – although much more so in the case of education (US\$70.1bn in 2011 compared to ODA of US\$3.68bn) than health (US\$50.7bn in 2011 compared to ODA of US\$9.64bn). The calculations have been made using World Bank data on expenditure, and UN demographic data, alongside OECD data on ODA.

Per capita expenditure

At the same time, population has also risen by close to 20% - from 809 to 997 million - over the decade since 2000. However the increase in expenditure has been more than sufficient to keep pace with this, and public expenditure per capita has still risen in real terms, faster in the case of health - from US\$16.8 to US\$ 49.7 in 2011 in current prices - around 52% in real terms, though more slowly in the case of education - from US\$27.6 to US\$68.7 in current prices - around 11% in real terms.

Regional comparisons

Compared to other regions, Africa spends a broadly similar share of the government budget on health compared to East Asia and the Pacific, and a higher proportion of its GDP. But this is offset by its lower GDP and the level of per capita expenditure is still below that of East Asia and the Pacific. It is similarly below that of other regions which spend a higher proportion of their government budgets and GDP.

The picture on education is similar. Africa spends a broadly similar share of the government budget and higher proportion of its GDP on education compared to both South Asia, and East Asia and the Pacific. Expenditure per capita is indeed higher than South Asia, but still lower than East Asia and the Pacific (because of this region's higher GDP). It is similarly below that of other regions which spend a higher proportion of their government budgets and GDP.

4. EMPLOYMENT

Africa's absorption of its working age population in employment compares in general favorably to other developing regions but the situation in North Africa is significantly worse.

Africa has added 113 million workers since 2000 rising at an average annual rate of 2.8% to reach a total labour force of 386 million in 2012. Male workers accounted for 55% of the increase. The employment-to-population ratio, also known as the labour force participation, improved marginally since 2000 to reach 70.4% in 2012 in Africa (excluding North Africa), which compares favourably to the world average of 64.1% and ranks second highest of all regions next to East Asia. North Africa in contrast has a labour force participation rate of 49.1% the second lowest in the world, ahead only of the Middle East. While 64.6% of women in Africa (excluding North Africa) participate in the labour force, less than a quarter of women in North Africa were employed in 2012. The pattern of youth employment (workers between the age of 15 - 24) reflects similar differences with a participation rate of 53.6% in Africa (excluding North Africa) (second highest worldwide) and 33.4% in North Africa (second lowest).

The informal sector has been the main driver of job creation in Africa with vulnerable work -- which includes subsistence farming, informal self-employment, and work for a family member -- accounting for 60% of job growth since 2000 in Africa (excluding North Africa). Over 75% of employment was considered vulnerable in Africa (excluding North Africa) in 2012. The informal sector is less important in North Africa with only 35% of workers in vulnerable jobs. Vulnerable work is disproportionately driven by women and youth in Africa (excluding North Africa) where 85% are vulnerably employed.

The absence of social protection systems in most countries in Africa means that not working is not an option for most people. In Africa (excluding North Africa), the average unemployment rate for the labour force declined from 8.5% in 2000 to a low of 7.4% in 2007. With the global financial crisis and the economic slow-down in the Euro area economies, which have had a negative impact on jobs worldwide, the unemployment rate has risen marginally in recent years. In contrast

to Africa (excluding North Africa), unemployment in North Africa remains a major challenge. After falling from 13.2% in 2000 to less than 9% in 2010, the uncertainty following the Arab Spring has caused unemployment to again surpass 10% in 2012 with youth unemployment at 24% or double the world average rate. In Africa (excluding North Africa), youth unemployment rate is less severe but at 12% is twice the rate for adult workers.

African governments have taken a number of initiatives to tackle youth unemployment. However, the impact has been limited. The 2012 African Economic Outlook finds that the major obstacles to job creation include: barriers faced by the private sector in Africa, skills mismatches due to weak vocational and technical training, lack of finance for micro-enterprises and inadequate infrastructure.

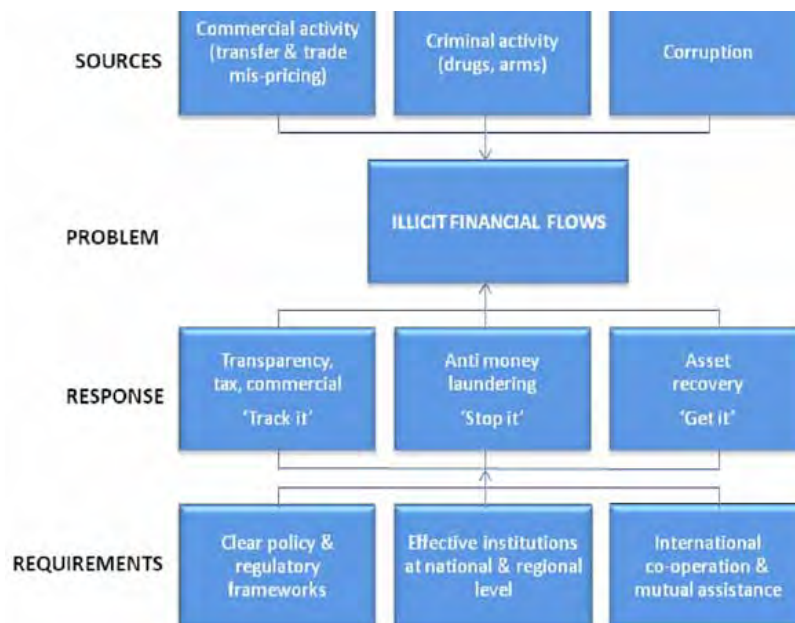
In addition to youth unemployment, SSA is facing two further major challenges on the employment front. First, in spite of more than a decade of economic growth of over 5%, the growth of stable wage-paying jobs has been slow. While the rate has doubled since 2000, only 17% of workers in Africa (excluding North Africa) occupy wage-paying jobs in 2012. A review of historical experiences has shown that rising wage income is a major contributor to the decline in poverty. Second, it has not experienced a significant improvement in labour productivity which comes from the shift of labour from low-productivity sectors such as agriculture to higher productivity ones such as industry. Between 1991 and 2012, employment in agriculture in Africa (excluding North Africa) declined only marginally from 67.5% to 62.2% with most of the shift of the labour force moving to the low value-added informal services sector; employment in industry remains unchanged at 8.6%.

North Africa, on the other hand, faces a severe lack of employment opportunities, more particularly for young people, sharp labour market segregation along gender lines, and relatively high vulnerable employment rate estimated at 41.4% in 2012, reflecting a high ratio of informal working arrangements.

5. ILLICIT FINANCIAL FLOWS

The need to tackle the problem of illicit financial flows has risen rapidly up the political agenda both in Africa and internationally over the last year. African Ministers have established a High Level Panel chaired by former President Mbeki on this subject. The Panel has issued a call for action to 'track it, stop it, get it'. The issue of tax evasion and aggressive tax avoidance is one of the priorities in this year's G-8, and the G-20 is also addressing the issue of how to prevent the erosion of domestic tax bases through profit shifting by multinational enterprises. It has also been discussed at meetings of the Africa Partnership Forum, the OECD Development Assistance Committee (DAC), and the OECD Global Forum on Development.

Illicit financial flows are a major obstacle to economic development and the achievement of the MDGs in Africa. They comprise funds illegally acquired, transferred or used. Estimates are debated, but there is consensus that the sums are significant, reducing the resources available to governments. Frequently quoted estimates include an annual average flow in excess of \$1 trillion globally over 2007-2009, with Africa's share at around 6%, or \$60 billion annually over this period, peaking in 2008, but dipping in 2009 as a result of the crisis, before starting to rise again in 2010. This compares to average private capital inflows of \$56 billion, and average official development assistance (ODA) of \$42 billion over the same period.



6. G20 AND DEVELOPMENT

The G20 is mentioned in a number of topics in the main report, including trade, agriculture, infrastructure, the private sector, food security and economic governance. This reflects both a growing G20 engagement on specific development issues, and the way in which wider global economic and financial issues impact on development, including in Africa.

G20 engagement on development issues has increased significantly since 2010. It is reflected specifically in the Seoul Development Consensus for Shared Growth and Multi-Year Action Plan (MYAP), but development issues also permeate other G20 work streams, including issues related to illicit financial flows under the Anti-Corruption Action Plan. The G20's 'core business' of steering the global economy also has major implications for Africa. In all these areas G20 work streams do not focus specifically on Africa – they address global development and financial/economic issues. The commitments are policy commitments rather than financial commitments. At the same time, they are profoundly important for development in Africa.

The Seoul Multi-Year Action Plan (MYAP)

The MYAP was adopted in 2010 and consists of 27 action items grouped in 9 key pillars considered critical to inclusive and sustainable growth in developing countries, including low-income countries: infrastructure; food security; private investment and job creation; human resource development; trade; financial inclusion; growth with resilience (i.e. social protection and remittances); domestic resource mobilization; and knowledge sharing.

The G20 Development Working Group (DWG) was established in 2010 to follow up on the implementation of the MYAP's action items. Within the overall global approach, there has been some focus on Africa, especially with respect to infrastructure, intra-regional trade and food security. The G20 High-Level Panel on Infrastructure Investment thus recommended several initiatives to overcome obstacles to infrastructure investment, particularly in Sub-Saharan Africa. The DWG and G20 Agriculture Ministers adopted an Action Plan on Food Price Volatility and Agriculture, again with specific references to Africa including the Comprehensive Africa Agriculture Development Programme, and the ECOWAS pilot project for a regional emergency humanitarian food reserves system.

In 2012 leaders committed to continue work on food security and infrastructure, and added inclusive green growth to the DWG agenda. The work programme in 2013 focuses on food security, infrastructure, financial inclusion, and human resource development.

Other specific G20 work streams

The Anti-Corruption Action Plan adopted at Seoul in 2010 includes commitments relevant to combating illicit financial flows, including tackling bribery and corruption, combating money laundering, supporting the recovery of stolen assets, and promoting transparency. In 2012 G20 leaders renewed the initial mandate of the Working Group established in 2010, and endorsed the development of a revised Action Plan for 2013-2014. Finance Ministers (and Central Bank Governors) have also commissioned work from relevant international organisations to assess factors affecting long-term financing for infrastructure investment, which will complement work under the DWG's infrastructure pillar.

G20 'core' business

The G20's "core" business of steering the global economy and policy areas of energy, financial stability, monetary and fiscal policy [addressed by Finance Ministers and Central Bank Governors] also has major implications for Africa. Addressing the sovereign debt and banking crisis in the Euro area, ensuring a stable financial system, boosting demand and economic growth, avoiding oil price spikes, ensuring a strong and sustainable growth path for emerging markets, resisting protectionism and improving market access for least developed countries are among the policy actions agreed by G20 leaders.

Accountability

Through the Los Cabos Accountability Assessment Framework the G20 will assess progress in meeting its commitments towards the shared goal of strong, sustainable and balanced growth for all. A Framework Working Group will report regularly on progress in respect to fiscal, monetary, financial sector, development and trade policies. The World Bank, with other international organisations, will assess the impact on the growth and development agenda in developing countries. The DWG will also be submitting a report to leaders in St-Petersburg, assessing progress achieved and outcomes under the Multi-Year Action Plan.

Cross cutting

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ACRONYMS & TERMS

Africa applies to the five sub-regions recognised by the African Union. The term ‘Africa excluding North Africa’ is used to apply to Central, East, Southern and West Africa, where the distinction is relevant to the analysis in the report.

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
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	PIDA	Programme for Infrastructure Development in Africa
GNI	Gross National Income	PPI	Private Participation in Infrastructure
GPOA	Gender Plan of Action	PPP	Public-Private Partnership
HIPC	Highly Indebted Poor Country	PRSP	Poverty Reduction Strategy Paper
HIV/AIDS	Human Immunodeficiency Virus/ Acquired Immune Deficiency Syndrome	PSC	Peace and Security Council
IATI	International Aid Transparency Initiative	RCIP	Regional Communications Infrastructure Programme
IBRD	International Bank for Reconstruction and Development	REC	Regional Economic Community
ICA	Infrastructure Consortium for Africa	REDD	Reducing Emissions from Deforestation and Forest Degradation
ICTs	Information and Communication Technologies	SACU	Southern African Customs Union
IDA	International Development Association	SADC	Southern African Development Community
IEA	International Energy Agency	SALWs	Small Arms and Light Weapons
IFAD	International Fund for Agricultural Development	SCCF	Special Climate Change Fund
IFI	International Financial Institution	SIPRI	Stockholm International Peace Research Institute
IFPRI	International Food Policy Research Institute	StAR	Stolen Assets Recovery Initiative
IHP	International Health Partnerships	TB	Tuberculosis
IMF	International Monetary Fund	TNA	Technology Needs Assessments
IT	Information Technology	UN	United Nations
LDCF	Least Developed Countries Fund	UNAIDS	The Joint United Nations Programme on HIV/AIDS
LDCs	Least Developed Countries	UNAMID	United Nations-African Union Mission in Darfur
LICs	Lower Income Countries	UNCAC	United Nations Convention Against Corruption
MDB	Multilateral Development Bank	UNCCD	United Nations Convention to Combat Desertification
MDGs	Millennium Development Goals	UNCTAD	United Nations Conference on Trade and Development
MDRI	Multilateral Debt Relief Initiative	UNDP	United Nations Development Programme
MYAP	Multi-Year Action Plan on Development	UNECA	United Nations Economic Commission for Africa
NAB	New Arrangements to Borrow	UNESCO	United Nations Educational, Scientific and Cultural Organisation
NAMA	Nationally Appropriate Mitigation Actions	UNFCCC	United Nations Framework Convention on Climate Change
NAPA	National Adaptation Programme of Action	UNOSAA	United Nations Office of the Special Adviser on Africa
NEPAD	New Partnership for Africa's Development	UPE	Universal Primary Education
NPCA	NEPAD Planning and Co-ordination Agency	WEF	World Economic Forum
ODA	Official Development Assistance	WHO	World Health Organization
PAP	PIDA Priority Act Plan	WTO	World Trade Organization
PFM	Public Financial Management		

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