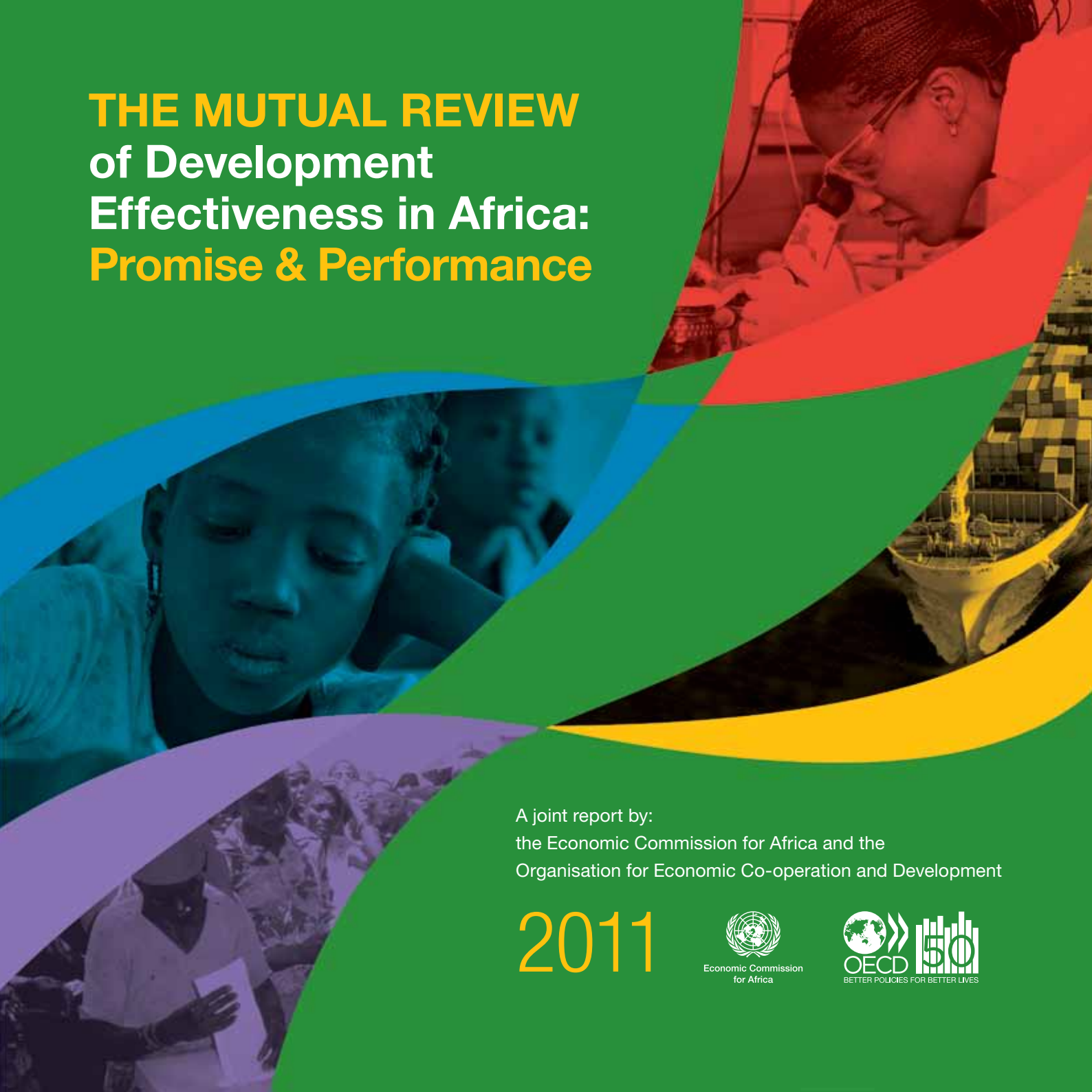


THE MUTUAL REVIEW of Development Effectiveness in Africa: Promise & Performance



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

2011



ECONOMIC COMMISSION FOR AFRICA (ECA)

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

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

The 2011 *Mutual Review of Development Effectiveness in Africa: Promise and Performance* has been jointly prepared by the United Nations Economic Commission for Africa (UNECA) and the Organisation for Economic Co-operation and Development (OECD) in close consultation with the NEPAD Agency (NPCA). The APF Support Unit has facilitated the preparation of this report.

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2011



Economic Commission
for Africa



OECD
BETTER POLICIES FOR BETTER LIVES

Preface

Africa is a continent with a great future and this future is now finally being realised. Despite the impact of the recession, current economic growth in Africa outpaces that of many OECD countries. With an emerging middle class, a new generation of innovative entrepreneurs, increasing school enrolment and significant advancement in ICT development, the continent is reaping the benefits of integration into the world economy. Recent democratic transitions in parts of North Africa and the consolidation of democracies in other parts of Africa are creating much optimism and huge potential in terms of economic and social development. Nevertheless, major challenges remain: poverty levels are still high, famine and food insecurity affect many, violent conflicts persist in certain places and climate change poses a growing threat to long-term development prospects.

World economic developments and regional economic perspectives in Africa will be critical to making the best use of sustained and inclusive economic growth for poverty reduction and accelerating progress towards the Millennium Development Goals - now only 4 years away from the targeted date.

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

The report is a unique collaborative exercise in mutual accountability, and also aims to provide a practical tool for politi-

cal leaders. It looks at Africa as a whole, while recognising the remarkable degree of diversity across the continent. The publication of this report coincides with the 10th Anniversary of the NEPAD programme of the African Union, the Fourth High Level Forum on Aid Effectiveness in Busan and the 17th United Nations Framework Convention on Climate Change (COP 17) in Durban.

The record continues to be mixed on the delivery of commitments, and the results achieved. For example, there has been real progress on the part of African governments in restoring higher growth, in re-building domestic revenue following the crisis, increasing access to primary education, and starting to reduce extreme poverty. Development partners have made an important contribution including through substantially increased Official Development Assistance, even though earlier commitments have not been met in full. But enormous challenges remain, in sustaining this growth, increasing investment, tackling infrastructure constraints, and accelerating progress on the most ‘hard-to-reach’ MDGs in the continent, including improving access to clean water and sanitation and reducing maternal and child mortality.

The development process in Africa is being led by African governments, stakeholders and citizens. Closer regional integration, in areas such as trade, infrastructure and tackling resource constraints could support this process. We welcome the further momentum which has been given in these areas over the last year. But a successful development path for Africa is also linked to what happens in the wider global economy, and to effective international support. The focus of the G20 on development since its November 2010 Summit in Seoul bodes particularly well in this respect.

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

We offer our support and call on African governments:

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

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

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

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

- To seize the opportunity of the 17th United Nations Framework Convention on Climate Change (COP 17) to put in place mechanisms to implement and monitor declared emission reduction targets, and new and additional climate finance;
- To seize the opportunity of the Fourth High level Meeting on Aid Effectiveness to commit to a true and inclusive global partnership to accelerate progress towards the MDGs.

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



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



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

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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. The meeting of AU/ECA Finance Ministers in March 2011 reaffirmed the value of this exercise and asked for more regular reports to be produced. In response to this request, an interim 2011 report based on information available as at mid-April was published in May 2011. The main 2011 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) The strong rebound in economic activity in 2010 is set to continue in most of Africa in 2011: a combination of sound domestic macroeconomic policies and the wider global recovery helped to bring about a recovery in growth from 3.1% in 2009 to 5.0% in 2010. At the time of going to press, this was expected to fall to 4.1% in 2011 due to lower growth in North Africa, and to recover to 4.8% in 2012. There has been a similar re-bounce in trade performance, driven by demand pressures which have pushed up most commodity prices;

(ii) But with continuing challenges: growth prospects continue however to depend significantly on a more volatile global economic and financial environment. The business environment has improved but more needs to be done. Poor infrastructure remains a major constraint to attracting investment, increasing regional trade, and improving social welfare. And climate change presents a major threat to achieving long-term sustainable growth;

(iii) Pointing to the key priorities for both Africa and its international partners including: to sustain global recovery and address issues which could put this at risk; to achieve successful

outcomes in global negotiations on trade and at the forthcoming COP17 conference in Durban on climate change and the Rio+20 conference on Sustainable Development in June 2012; to accelerate regional integration; to continue to improve the environment for both domestic and foreign investment; and to accelerate action to overcome infrastructure constraints.

Investing in people

(iv) The acceleration of growth since 2000 has contributed to some progress towards the MDGs: this varies by sub-region, country and goal, but the latest 2011 MDG Report confirms that it is still broadly moving in the right direction. Important progress has been made in primary enrolment rates and stemming the HIV/AIDS pandemic; many countries have shown some progress towards achieving the health-related MDGs and have recorded declines in malnutrition; there has been some progress in access to safe drinking water and improved sanitation, and in women's political representation;

(v) But the pace is not commensurate with the improved economic performance achieved over the last decade, and still largely inadequate for achieving the goals by 2015. Improving primary completion rates, post-primary access and the quality of education, child and maternal mortality, and access to sanitation remain major challenges. There are major disparities by income group and location in access to education and health services, and increased concerns on food security connected to multiple factors including more extreme weather conditions, and regional instability;

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

Good governance

(vii) There have been positive developments including: a general improvement in the quality of elections, the successful reversal of unconstitutional changes of government, momentous political change in North Africa and the achievement of independence in Southern Sudan. The AU and regional organizations 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 continue to be long-standing and unresolved conflicts, combined with more recent conflict; much still needs to be done to ensure that elections are universally free and fair, and to improve other indicators of political governance including checks and balances, tools of accountability, the rule of law, and civil liberties;

(ix) At a global level the engagement of the G20 on development issues in 2010 has been deepened in 2011, alongside the continued engagement of the G8, marking an important shift in the international development architecture. The commitments made by the G20, whilst not specific to Africa, are profoundly important for its development;

(x) Pointing again to key priorities: the AU and regional organizations should 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 this and tackle the international dimension of better economic governance; the G20 process should be used to promote development in Africa.

Financing for development

(xi) Domestic revenue rebounded in 2010 on the back of stronger economic growth: Domestic revenue is by far the major source of financing for development. It increased four-fold between 2002 and 2008 to US\$505 billion, fell sharply to US\$389 billion in 2009 with the bulk of the decline occurring in oil-exporters, and partly recovered to US\$465 billion in 2010, with a further recovery to US\$521 billion expected in 2011 (driven by strong revenue

performance in sub-Saharan Africa). However performance remains varied, with a significant group of countries still collecting less than 15% of GDP in tax. Issues of allocation and effectiveness also need to be addressed;

(xii) Total net private inflows are expected to recover to precrisis levels in sub-Saharan Africa in 2011 but to fall sharply in North Africa. The estimated 2011 total of US\$ 54 billion is around 75% of the record US\$69 billion in 2007. Remittances proved unexpectedly resilient in 2009 and rose again to US\$40 billion in 2010, a three-fold increase over the decade. In addition to legal capital outflows, Africa has however also experienced large illicit outflows estimated to average US\$50 billion a year over the last decade though all figures must be treated with great caution;

(xiii) Official Development Assistance increased in 2010 but the 2005 commitments have not been met: Progress towards 2015 targets needs to be accelerated and monitored. ODA to Africa is estimated to have risen to US\$46 billion in 2010. This is a record level, but still significantly below the level implied by commitments in 2005. ODA to Africa should rise to US\$75 billion in 2015 if 2005 commitments are met in full. Progress in delivering the Paris and Accra commitments on aid effectiveness has been slow – though where this has happened it has led to improved development results;

(xiv) Some significant progress was made on climate finance at the last UNFCCC COP meeting both in terms of finance and, more importantly for Africa, the strong support for REDD plus. This in turn has implications for Africa in terms of ensuring preparedness to benefit from the new facilities;

(xv) Key priorities for the future include: action by African governments to strengthen domestic revenue mobilisation and attract both domestic and foreign investment; support from the wider international community in tackling the loss of tax revenues through offshore non-compliance, and illicit financial flows; action by development partners to increase ODA to Africa over 2011-2015 in line with those commitments which have been made in relation to 2015, to deliver their Paris and Accra commitments on aid effectiveness, and to accelerate development of innovative sources of finance including for delivery of the fast-start and longer-term climate finance agreed in the Copenhagen Accord and the Cancun Agreements.



Topics

I: Sustainable Economic Growth

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

II: Investing in People

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

III: Good Governance

Political governance
Economic governance
Peace and security

IV: Financing for Development

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

Topic 1

TRADE & DIVERSIFICATION

Key commitments

Africa: African governments have consistently emphasised the importance of trade, with three broad, inter-related commitments: (a) to reduce supply-side constraints, improve competitiveness and foster comparative advantages in industrial production; (b) to take practical steps to reduce trade barriers and facilitate trade; and (c) to deepen regional integration. Most recent commitments emphasise regional integration, modernising domestic and regional trading systems, removing obstacles to trans-border trade and rationalising Regional Economic Communities (RECs).

Development partners: Development partners have reiterated (a) long standing commitments to bring the Doha Development Round to a balanced and ambitious conclusion in particular for Least Developed Countries; (b) commitments on enhancing trade capacity and access to markets, including specific commitments in the G20 Multi Year Action Plan on Development to at least maintain Aid for Trade (AfT) levels in 2011 above the annual average for 2006 - 2008; (c) commitments to keep markets open, and to refrain from raising new trade barriers or imposing new export restrictions; and (d) support to free trade areas in Africa and to improving the efficiency of trade corridors.

What has been done to deliver on these commitments?

Africa: African governments and RECs are tackling supply-side and competitiveness problems, demonstrated by the high level of investments in infrastructure and productive capacity building (see also Topic 3). Average tariffs have fallen from 9.8 to 8.1% on manufactured goods between 2000 and 2008, through unilateral measures and implementation of regional integration protocols. Progress continues on the African Economic Community, following commitments made by AUC Ministers of Trade in November 2010 in Kigali. COMESA, EAC and SADC formally launched negotiations for the establishment of an integrated market of 26 Countries in June 2011 at a tripartite summit which endorsed three pillars of a Tripartite Free Trade Agreement: market integration; infrastructure devel-

opment; and industrial development. Despite key infrastructure projects, such as the North-South corridor, trade logistics remain insufficient.

Development partners: There has been little progress on the Doha Round. There has been some progress on duty and quota free market access for least developed countries (LDCs), with several emerging economies introducing preferential schemes. Commitments made in response to the financial crisis are positive, leading to an increase in Aid for Trade. Africa has become the largest AfT Recipient, benefiting from more than US\$16 billion in 2009, 22% in constant prices above the 2008 figure. The focus has been on infrastructure and productive capacity; the share of AfT addressing adjustment costs related to trade liberalization remains low.

While the overall level of trade barriers has not increased significantly, restrictive measures taken by G20 economies have been rising since the end of 2010, including increases in import tariffs, non-automatic import licensing, trade remedy actions and new export restrictions. These additional restrictions over the period October 2010 to April 2011 cover around 0.6% of G20 imports, and represent an increase over the previous six months (0.3%).

The number of new measures introduced to facilitate trade has increased, and some restrictive measures have been removed: 18% of 550 restrictive measures imposed since October 2008 have already been removed or amended to limit negative effects on trade.

What results have been achieved?

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

With a steep fall in world trade in 2009, Africa's trade merchandise fell to US\$778 billion (-24%). This drop in total African imports and exports was marginally larger than the fall in world merchandise trade, leading to a reduction in Africa's share to 3.1%. African merchandise export volumes

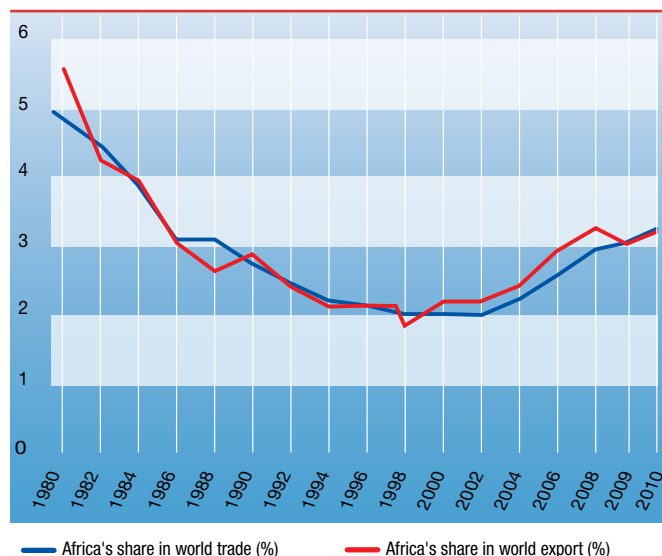
Africa's trade performance back on track but risks remain. More needed to tackle supply side constraints, reduce trade barriers, deepen intra-African trade and deliver Doha commitments.



fell by 2.4%, and import by 7.9%, in 2009. The loss in value was sharper, at 30.9% for exports and 19.5% for imports, reflecting a significant deterioration in African term of trade. Services trade shrank to US\$195 billion in 2009, still representing 3% of global services trade.

Africa went back on track with its strong trade performances of 2000 – 2008, with an estimated merchandise trade of US\$963 billion (+24%) in 2010. As African trade performances were slightly better than the 19.1% increase in world trade its share of world merchandise grew to 3.2%. These performances were driven by the significant improvement in African terms of trade (+11% in Sub-Saharan Africa) and the corresponding rise in fuel, agricultural and food commodity prices: IMF indices of primary commodities for non-fuel and energy gained 26% in 2010. African trade of commercial services amounted to US\$227 billion and 3.2% of world trade that year.

Share of Africa in world trade and exports (in %), 1980 - 2010



Source: WTO Statistics database.

African exports remain poorly diversified in structure and destination. Eighty percent of Africa's exports are oil, minerals and agricultural commodities. In 2009, African export of manufactured goods accounted for less than 1% of global manufactured exports. Europe and North America continue to absorb most African exports, though trade with emerging economies is growing quickly. BRICs markets accounted for 19.2% of African exports in 2009 versus 8% ten years earlier. Lack of export diversification and reliance on mature OECD markets are persistent sources of vulnerability for African economies. Intra-regional trade remains low, on average only about 10% of total African exports over the last decade, but more diversified than external trade, pointing to complementarities within the region. The level of trade integration in Africa remains lower than in other regions, such as Asia and South and Central America, where regional markets accounted for respectively 58% and 27% of exports in 2009. Intra-regional trade fell by less than international African trade in 2009, proving more resilient and less dependent on international commodity markets; its share in total regional trade rose to around 11.5% that year.

What are the future priority actions?

Africa

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

Development partners

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

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 African Agricultural Development Programme (CAADP) Framework have called for annual agricultural growth rates of 6%. They have committed to increase agricultural trade within Africa, and to work at regional and continental levels, including harmonising fertiliser policies and reducing costs of procurement. In 2009, the African Union (AU) acknowledged the CAADP as the overarching framework for agricultural development and investment.

Development partners: Development partners have made commitments to increase volumes and improve the quality of agricultural assistance. They have recognized the link between increased agricultural productivity and improving food security (see topic 9). Under the 2009 L'Aquila Food Security Initiative (AFSI) they committed to mobilise US\$20 billion over three years for agricultural development and food security. The G20 Multi-Year Action Plan on Development adopted at Seoul in November 2010 re-emphasised the need for increased investment and financial support for agricultural development, including for smallholder farmers, and initiated work on a range of issues including food price volatility, with final reports due in 2011. Leaders also committed to promote responsible investment in agriculture and re-iterated earlier commitments to bring the Doha Round to a successful and balanced conclusion.

What has been done to deliver on these commitments?

Africa: Only seven countries and ECOWAS as a whole met or surpassed the 10% Maputo target in 2009. In aggregate, agricultural spending in Africa has made little progress, ranging from 4 to 6% of domestic public expenditure between 1980 and 2008. However, regional policies to foster agricultural growth, trade and food security have been established, linked to the CAADP framework. By April 2011, 25 countries had signed

CAADP Compacts, 19 had developed investment plans and 3 had agreed financing plans and annual review mechanisms.

ECOWAS and COMESA have moved to harmonise fertiliser regulatory frameworks and trade policy. The African Fertiliser Development Financing Mechanism (AFFM) established to increase the use of fertiliser from 8 kg per hectare to 50 kg per hectare by 2015, mobilised pledges of over US\$30 million. However, implementation has stalled due to failure to fully honour funding pledges required to make the AFFM operational. Little progress has been made in harmonising and eliminating fertiliser taxes across Africa.

Development partners: Agricultural assistance (including forestry and fisheries) to Africa has increased from US\$1.228 million in 2002 to US\$2.887 million (disbursements in constant 2009 prices), increasing by over 40 per cent between 2008 and 2009 and rising from 4% of total assistance in 2002 to 5.5% in 2009. The Global Agriculture and Food Security Program, launched in 2010, has mobilised US\$880 million in commitments. Allocations in 2010 included \$223.5 million for five African countries. Reports have been prepared within the G20 framework by the

GDP, Agricultural GDP growth in Africa, 2000-2010



Sources: IFPRI-ReSAKSS based on UN National statistics Division 2009; WDI 2009; and IMF, Regional Economic Outlooks (April-May 2011).

Agricultural growth improving but below 6% target. More needed on investment, policy reform and trade.



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relevant international organisations on innovation, delivery of the AFSI, policy coherence, price volatility and responsible investment in agriculture. On trade, the Doha round has stalled and NEPAD countries are looking to develop alternative agreements on agricultural trade whilst being able to introduce measures to support African farmers (see Topic 1).

What results have been achieved?

Growth: On average, the agriculture sector grew more slowly than the economy overall for most of the period from 2000-2007, exceeding the 6% target in only 2 out of 8 years (2000 and 2002) in Africa as a whole, and none in SSA. In 2008 agricultural and GDP growth rates were the same and in 2009 agricultural GDP growth exceeded GDP growth due to a combination of higher agricultural growth exceeding 6% in Africa as a whole, and lower overall growth in the economy. In 2009, 17 countries met or exceeded the 6% target and three additional countries achieved growth of between 5-6%.

Productivity: Production increases in Africa have been heavily dependent on expansion of land cultivated. African yields per hectare for cereals are among the lowest in the world; they rose marginally from 1.13 t/ha in 1980 to 1.42 t/ha in 2008, compared to over 5 t/ha in high income countries. While countries have made progress in reforming the legal and regulatory framework (over 65% have formal fertiliser legislation in place, 65% of countries did not have tariffs on fertilisers in 2008 and 75% did not have taxes on fertilisers), average fertiliser consumption in most African countries has remained between 5kg/ha and 10 kg/ha since 1990, less than 10 percent of the world average and well below the Abuja 50 kg/ha target: only four countries exceeded this target in 2008. Less than 10% of arable land is irrigated, and in the last 40 years only an additional 4 million hectares have been brought under irrigation (see also Topic 3).

Access to land and environmental sustainability: While yields have grown slowly, land under cereal production grew from 53 million hectares in 1967 to 95 million hectares in 2008. Smallholders are responsible for 60-80% of agricultural production. However, smallholder

access to productive land is under increasing pressure as international investors acquire large areas of land in several countries and more land is used for the cultivation of grain-based biofuels. Environmentally sustainable land use remains a major challenge (see Topic 5)

Trade and diversification: Since 2001, the volume of African agricultural exports has increased by 13% and their value has increased by 74%. 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, at 2%, and is concentrated in a small number of countries.

What are the future priority actions?

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

Africa

- Accelerate CAADP implementation, including by:
 - Increasing public investment, particularly in irrigation, access to fertiliser (e.g. implementation of the AFFM) and rural infrastructure;
 - Continuing policy reform, particularly to mainstream environmental sustainability and climate change into agriculture, to promote market transparency, to remove duties on fertiliser and to create a predictable policy framework that fosters investment by private sector operators, while securing smallholder access to productive land;
 - Accelerating efforts to improve agricultural productivity, including through stronger regional co-ordination, increased investment in research and increased access to inputs.

Development partners

- Deliver existing AFSI commitments, and make specific, new commitments, backed by detailed plans, to deliver sustained assistance to African agriculture beyond 2012;
- Promote responsible investment in agriculture in line with the principles agreed internationally and endorsed within the G20;
- Intensify efforts to reduce agricultural subsidies, increase African producers' access to markets and reduce or remove barriers to trade at national, regional and global levels (see also Topic 1).

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

Africa: African governments have emphasised the importance of infrastructure and have made broadly similar commitments spanning four main subsectors – energy, transport, water and ICT – to strengthen national planning frameworks, reform the regulatory environment, mobilise increased private and public resources and develop regional and continental programmes. Targets include: (a) that 35% of the population have access to electricity by 2020; (b) halving the proportion of people living beyond 2 km from an all-season road by 2015; (c) reducing the proportion of people without access to safe water and sanitation by 75% by 2015 and (d) interconnecting all African capitals and major cities' information networks by 2012.

Development partners: Development partners have undertaken to increase financial support and to help mobilise increased private sector participation. They have made specific commitments to promote clean energy and energy efficiency. The G20 made commitments to overcoming obstacles to investment, developing project pipelines, improving capacity and facilitating increased finance in the 2010 Seoul Multi-Year Action Plan, and have established a High-Level Panel on Infrastructure to report to the November 2011 Summit.

What has been done to deliver on these commitments?

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

Regulatory reform: Regulatory agencies have been established but capacity remains weak. Most progress has been in telecommunications. Regulatory reforms are receiving more attention in the power sector, to address electricity shortages and to promote renewable energy. In transport there are efforts to improve logistics competence and trade facilitation with a focus on land-locked countries.

Private sector: Participation varies enormously across sub-sectors: it is highest in mobile telephony, then transport, with the contracting of road maintenance and concessions in container terminals and railroads. In energy, state-owned utilities remain prevalent although the development of Public-Private Partnerships (PPPs) is increasing private participation in power generation and distribution. In water, management or lease contracts of national systems have been problematic but PPPs have become more common on small piped schemes.

Regional initiatives: Cross-border initiatives have been launched in energy through the creation of power pools in all sub-regions; in transport with transit corridors; in water with the sharing of transboundary resources; and in ICT with the development of broadband connectivity. The Programme for Infrastructure Development in Africa (PIDA), a long term framework for developing infrastructure based on the African Union vision, launched in 2010, brings together regional and continental infrastructure initiatives under the leadership of the AUC, the NEPAD Agency and the AfDB. The Presidential Infrastructure Champion Initiative (PICl) has been launched in support of PIDA.

Development partners: Development partners have significantly increased support for infrastructure, including through the Infrastructure Consortium for Africa (ICA). Funding commitments from all sources rose in 2010 to US\$55 billion with ICA members contributing half this amount. Commitments for energy and transport increased sharply over 2008-09, while commitments for water decreased. Funding commitments for regional projects almost doubled, reaching US\$3.9 billion. The reports commissioned by the G20 at Seoul are on track, including action plans developed by the Multilateral Development Banks and a preliminary report from the High-Level Panel. There is a strong focus on Sub-Saharan Africa in the G20 work on infrastructure. The key recommendations of the HLP are to be presented in October.

What results have been achieved?

Despite increased investment, progress has been slow (apart from ICT), and weak infrastructure remains a major constraint:

Despite increased investment, weak infrastructure remains a major constraint on growth and on achieving the MDGs.



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

Transport: Only one-third of the population in rural areas are within 2 km of an all-season road, compared with two thirds in other developing regions. The limited data available suggests some improvement, but access in rural areas remains a critical challenge to linking farmers to markets. High profit margins for trucking companies also led to high transport costs. The density of paved road is 4 (Central Africa), 29 (Eastern Africa), 38 (Western Africa), 92 (Southern Africa) km per km squared, versus 149 in South Asia.

Water and sanitation: Between 2000 and 2008, access to improved water in sub-Saharan Africa rose by less than 1% a year to reach 60%. Progress on sanitation has been even slower, with only 31% of the

population having access to improved sanitation facilities in 2008 (see also Topic 8). As in other sectors, rural coverage is significantly lower. The absence of water storage and irrigation infrastructure led to a severe under utilisation of the continent's resources. Seven per cent of sub-Saharan Africa's hydropower potential has been tapped and only 6 million hectares, concentrated in a few countries, are equipped for irrigation.

ICT: Mobile telephony has been a success, with mobile subscribers growing from 16 million in 2000 to 390 million in 2009. Internet penetration lags behind despite considerable progress: the number of internet users is estimated to have grown from 3.6 per hundred in 2007 to 9.6 in 2010.

What are the future priority actions?

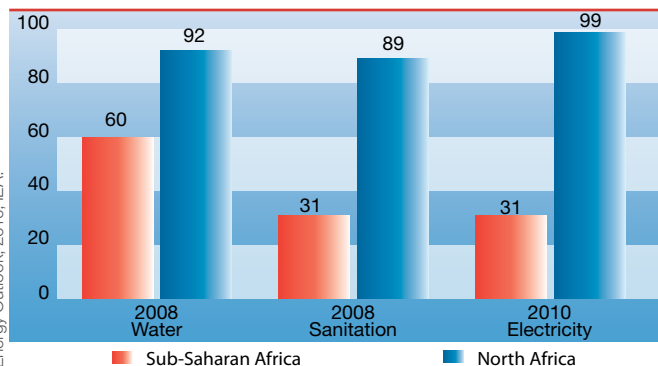
Africa

- Strengthen planning frameworks to improve access and better reflect the role of infrastructure for economic growth and poverty reduction;
- Continue efforts to improve the efficiency of existing infrastructure, to reduce costs, including maintenance costs, and to encourage greater private sector participation, developing local capacity for project preparation and for structuring PPPs;
- Accelerate development of cross-border initiatives and harmonization of regulatory frameworks, and exploit economies of scale by enhancing the roles and capacity of the RECs and other regional technical bodies.

Development partners

- Maintain increased financial support, including through the ICA platform;
- Use G20 process to support infrastructure investment in Africa, in line with regional priorities;
- Support African efforts to ensure more equitable provision of basic services to rural areas, and to increase technical and financial capacity of the RECs;
- Use aid as a leverage for increasing private investment, by supporting the enabling environment for infrastructure investment and by developing non-ODA instruments, such as export credits and investment funds.

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



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

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 NEPAD founding statement in 2001 and reiterated in 2010 in the AU “African Private Sector Forum Declaration”. These declarations have encouraged private financial flows and partnerships among governments, the private sector and civil society, and approved codes and standards for achieving good economic and corporate governance. Successive commitments have sought to create suitable conditions to develop the private sector, and to promote public-private partnerships (PPPs), notably in transport and energy infrastructure (see also Topic 3).

Development partners: Development partners have made commitments: (a) to support African efforts to remove the obstacles to investment and reduce the cost of doing business (b) to help mitigate risks faced by investors (c) to improve synergies between ODA and other sources of development finance and promote PPPs and (d) to promote responsible investment. The G20 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. The G8 and Africa called on companies to improve their corporate and social responsibility at the G8 summit of Deauville.

What has been done to deliver on these commitments?

Africa: Starting from a low base, Africa has continued to improve its regulatory environment. Since the MRDE 2010 several countries, including those recovering from conflict, have introduced new, or reformed existing, laws to improve the business environment. Forty nine regulatory reforms were registered in sub-Saharan Africa across 27 countries in 2010, building on respectively 67 and 58 registered reforms in 2009 and 2008. Three African countries were amongst the World

Bank’s Doing Business 10 top reformers in 2010.

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

The African Development Bank has supported reforms encouraging strategic investments in private-sector projects and PPPs for infrastructure development, helping governments create “one stop shops” to cut business costs and strengthening banking services and national competition policies. Between 2008 and 2010, 18 African countries received AfDB support to improve the legal and regulatory environment for business. The AfDB expects to lend US\$2.2 billion to the private sector in 2011.

Development partners: Development assistance for business support and banking and financial services increased in 2008-2009 to over US\$2.2 billion. Partners have helped improve the business environment, develop financial markets and promote investment through initiatives such as the NEPAD/OECD Africa Investment Initiative and the OECD Policy Framework for Investment. They have established credit and risk guarantee mechanisms to promote domestic and foreign direct investments. The World Bank, UNECA and the Public-Private Infrastructure Advisory Fund have undertaken a number of PPP capacity-building initiatives. Initiatives such as the OECD Guidelines on Multinational Enterprises (revised in 2011) and the UN Global Compact seek to promote responsible investment. International organisations have submitted reports on how further to promote responsible and value-adding investment within the G20 process; work will continue in 2012.

What results have been achieved?

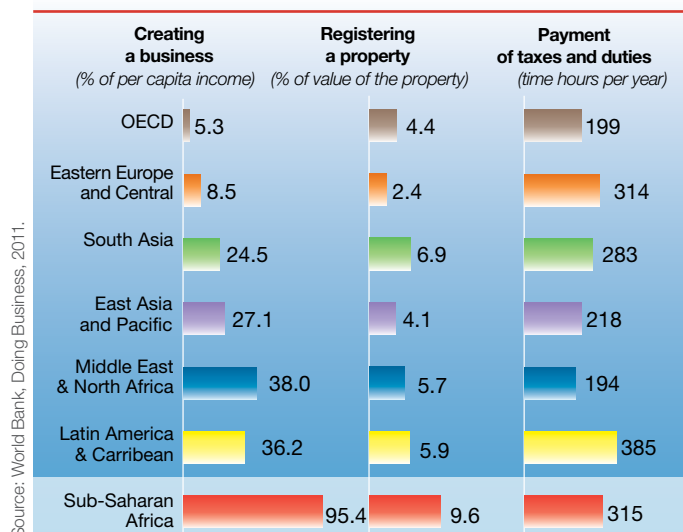
Continued reforms, combined with political and macroeconomic stability and sustained growth have improved Africa’s business environment (see also Topics 11 and 12). Of 28 key indicators defined by the World Bank

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



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Costs of doing business



to measure the ease of doing business, 23 have improved in Africa since 2005; for 15 the gap between Sub-Saharan African results and global averages is less than 20%. For some sub-indicators, such as the average times needed to obtain a construction permit, pay taxes and enforce contracts, Sub-Saharan Africa has reached performance levels comparable to most other regions. In other areas, such as opening a business, the differences between sub-Saharan Africa and the rest of the world are decreasing; Reforms have also helped bring about significant increases in domestic and foreign direct investment (see topic 15) contributing to overall economic growth. But there is still more to be both to improve the business environment and to maximize the economic value-added of private investment and diversify African industries (see topic 1).

Business funding is improving through new licensed private credit bureaus, a wider range of assets used as collateral and a strengthened legal framework for secured transactions. However there are still areas where

further progress is needed: the banking industry is still very concentrated, financing costs remain high and access to credit is a primary inhibitor to doing business in Africa. SMEs, which account for up to 90% of all businesses in Sub-Saharan markets, are particularly vulnerable to restrictions on credit access. The credit gap for SMEs is higher in Africa than anywhere else, representing 300 to 360% of current outstanding credit.

Capital markets have grown from 8 to 22 stock exchanges between 2002 and 2010, and market capitalisation of the 5 leading stock exchanges tripled over the period. Yet, the small size and lack of liquidity of these markets remain problems and investor protection, including corporate disclosure and legal protection, is weak.

More generally, African financial systems often suffer from insufficient collateral and credit information systems and have inadequate supervisory capacity and prudential approaches.

What are the future priority actions?

Africa

- Accelerate improvements in access to finance, particularly for small-sized firms and informal businesses;
- Promote private sector participation and partnerships in strategic sectors and public services, particularly through effective implementation of PPPs, to address constraints, especially in energy and transport (see also Topic 3);
- Deepen regulatory and institutional reforms to provide adequate infrastructure, reduce bureaucracy and address corruption;
- Sustain regional integration efforts to promote trade facilitation and increase market size.

Development partners

- Support and assist governments and investors to increase the economic and social value-added generated by the private sector and create more competitive industries in Africa;
- Direct increased investment towards lower-level capacity building to tackle constraints to financial, human and technological development;
- Support efforts to improve access to finance particularly for SMEs.

Topic 5

ENVIRONMENTAL SUSTAINABILITY

Key commitments

Africa: African countries have committed to integrating sustainability in their development in adopting the AU Convention on the Conservation of Nature and Natural Resources and the Rio Declaration, and ratifying Multilateral Environmental Agreements, such as the Convention on Biological Diversity (CBD), the Convention to Combat Desertification (UNCCD), and the UN Framework Conference on Climate Change (UNFCCC). They have set out a comprehensive framework for action in the AU/NEPAD Environment Action Plan. In 2010, the African Ministerial Conference on the Environment (AMCEN) committed to support the process of reconfiguring businesses and infrastructures and greening African economies.

Development partners: Partners have ratified these multilateral agreements and committed to support African efforts to achieve sustainable development based on concrete actions for the implementation of Agenda 21 during the World Summit on Sustainable Development (2002). They have made commitments to promote sustainable forest management and to tackle illegal activities such as logging and illicit trade in wildlife.

What has been done to deliver on these commitments?

Africa: African governments are developing and implementing national strategies which cover the economic, social, environmental and institutional dimensions of sustainable development. Two-thirds of African countries are developing or implementing national forest programmes. Regional partnerships and programmes to promote sustainable forestry management have been established. Almost 17% of Africa's total forest area has management plans and more than 1% of all of Africa's forest estates (76,000 km²) has been given FSC certification. Fifty-three African countries have completed national biodiversity strategies and action plans (NBSAP). Of these countries 8 have revised NBSAP and 5 are currently revising them. Twenty-five countries in West and Central Africa have adopted a code of conduct for responsible fisheries, and

10 African countries sharing the Western Indian Ocean have signed an agreement to protect their marine environment.

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

Development partners: The Global Environment Facility (GEF) has supported over 730 projects in Africa worth US\$1.6 billion. In its fifth replenishment (2010), the GEF adopted a funding mechanism for sustainable forest management. The TerrAfrica Initiative, an international partnership launched in 2005, has leveraged US\$1 billion to scale up sustainable land and water management in over 25 African countries working with NEPAD in the framework of CAADP. Seventeen African countries are getting technical assistance to prepare for the implementation of the UNFCCC mechanism known as Reducing Emissions from Deforestation and Forest Degradation (REDD+), designed as an incentive for sustainable management of forests, while contributing to climate mitigation by creating a financial value for the carbon stored in standing trees. The Congo Basin Forest Fund has approved funding for over 40 projects in five Central African countries, with several aimed at building readiness for REDD+ in the Congo Basin.

The United Nations Environment Programme (UNEP) along with the European Commission (EC) and the ACP Secretariat and several other partners is enhancing the capacity of African, Caribbean, and Pacific (ACP) countries to implement MEAs.

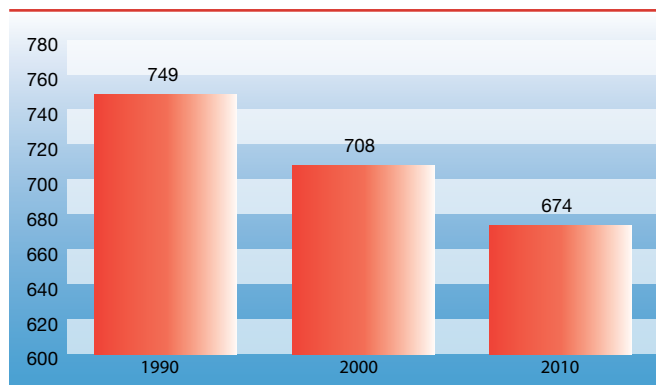
Jointly: At the Conference of the Parties of the CBD, world governments established the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization and adopted more clearly defined biodiversity targets.

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



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Forest area in Africa, 1990–2010 (millions Ha)



Source: FAO, State of the World's Forests, 2010.

What results have been achieved?

Although Africa continues to experience deforestation, forest losses have slowed between 1990 and 2010, particularly in North Africa. Forest planting programmes were established in several countries for both productive and protective purposes. Thus, Africa's total area of planted forests grew from 11.6 to 15.3 million hectares (or 2.3 percent of the total forest lands) between 1990 and 2010, with the largest area located in North Africa. About 14% of the total forest area in Africa is designated for conservation of biodiversity; this area is rising at about 0.7% per annum. However, there was an overall decline in primary forest area - area showing no visible indications of human activity - by 21% over the period 1990–2010, with a drop by 6% over the last five years. As a result, Africa has the lowest share of primary forest of all the continents.

Two-thirds of Africa is classified as deserts or dry lands, concentrated in the Sahelian region, the Horn of Africa and the Kalahari Desert in Southern Africa. Degraded land affects almost two-thirds of the entire African population. Bio-diversity information is patchy. Data on medicinal plants by geographical regions show the highest risk of extinction in Africa

(over 50%) with significant potential impact on the health and well-being of people who are dependent on them for health care and income. The Afrotropical Living Planet Index, which monitors changes in the population of vertebrate species and covers the majority of the African continent, declined by 18% between 1970 and 2007, suggesting biodiversity at the species level is declining. There is a risk of dramatic loss of biodiversity from the continuing loss of forests.

While some initiatives have moved to action, implementation is generally weak and effectiveness has been limited. Inadequate institutional capacity, poor data and weak priority setting are key constraints, often compounded by limited political voice and budgetary resources of Environment Ministries. Funding, including innovative financial solutions, merits more attention. As the result of weak or ineffective implementation, all but one African country fell in the bottom half of the 2010 Environmental Performance Index (EPI), which ranks 163 countries over 25 performance indicators that assess performance against established environmental policy goals.

What are the future priority actions?

Africa

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

Development partners

- Strengthen the priority given to environmental concerns in development assistance policies and programmes in Africa;
- Increase the support to the implementation of green growth policies in Africa;
- Fully implement commitments made under international conventions and treaties.

Topic 6

CLIMATE CHANGE

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

Key commitments

Africa: To address the threat posed by climate change, Africa's leaders have taken several decisions and resolutions through the African Union and the African Ministerial Conference on the Environment (AMCEN) including urging states and Regional Economic Communities (RECs) to integrate climate change adaptation at national and regional levels. AMCEN recently called upon African governments and the RECs to expedite the implementation of existing programmes and initiatives on climate change.

Development partners: Under the Kyoto Protocol, a number of developed and transition economies committed to collectively reduce GHG emissions by at least 5% below 1990 levels in the first commitment period (2008 to 2012) and agreed that the Conference of the Parties (COP) shall initiate the consideration for commitments for subsequent periods. Although COP 16 in December 2010 did not reach agreement on a second commitment period under the Kyoto Protocol, the Cancun Agreements recognised the goal to limit average global temperature rise to below 2°C and all industrialised countries and many emerging and developing economies have put forward national targets for emission reductions. However, details of the future international climate policy framework for emission reductions, including the future status of the Kyoto Protocol, remain to be worked out.

What has been done to deliver on these commitments?

Africa: African governments and the RECs have taken action to develop regional frameworks of climate change and to develop a common negotiating position on climate change. Regional frameworks of climate change programmes have been completed for all five sub-regions.

Thirty one African least-developed countries have developed National Adaptation Programs of Action (NAPAs) focused on urgent and immediate adaptation needs; 15 have received approval for funding. 18 African countries have submitted Nationally Appropriate Mitigation

Actions (NAMAs). At the regional level, the AfDB, the AUC, and UNECA have launched the Climate for Development in Africa (ClimDev-Africa) programme to improve climate-related information and its use in developing processes in Africa. The African Climate Policy Centre (ACPC) was established to support knowledge development, advocacy, and capacity building for climate change. To enhance Africa's role in climate negotiations, the AU established the Conference of African Heads of State and Governments on Climate Change (CAHOSCC) to ensure effective coordination.

Development partners: In aggregate, Annex I Parties to the UNFCCC reduced emissions by 10.6% excluding emissions from Land Use, Land Use Change and Forestry (LULUCF) between 1990 and 2009. Cuts have been driven primarily by significant reductions in transition economies and to a lesser extent among the original 15 members of the European Union while emissions from other industrialized countries have risen in aggregate. Recent trends appear lacklustre. According to the International Energy Agency (IEA), after a dip in 2009 caused by the global financial crisis, energy-related emissions are estimated to have been the highest in history in 2010. According to UNEP estimates, pledges to reduce emissions by industrialised countries and (voluntary) plans of action by developing and emerging countries made so far show that under the 'best' scenario, total emissions will only be cut by 16% compared to reductions by at least 25-40% by developed countries below 1990 levels in 2020 as recommended by scientific evidence to put us on an emission pathway consistent with the 2°C goal.

Jointly: Parties to the UNFCCC have established, among others: i) the Cancun Adaptation Framework to help developing countries protect themselves from climate change impacts; ii) a Green Climate Fund to help deploy and manage long-term climate funds in support of developing countries; and iii) a new Technology Mechanism to facilitate technology development in and transfer to developing countries. In Cancun, the Parties agreed on approaches and incentives relating to the reduction of emissions from deforestation and forest degradation (REDD) and addressed the goals to slow, halt and reverse loss of forest cover.

Key steps were taken in Cancun in helping developing nations protect themselves from climate impacts but measures to operationalise these decisions and bolder effort on mitigation are needed.



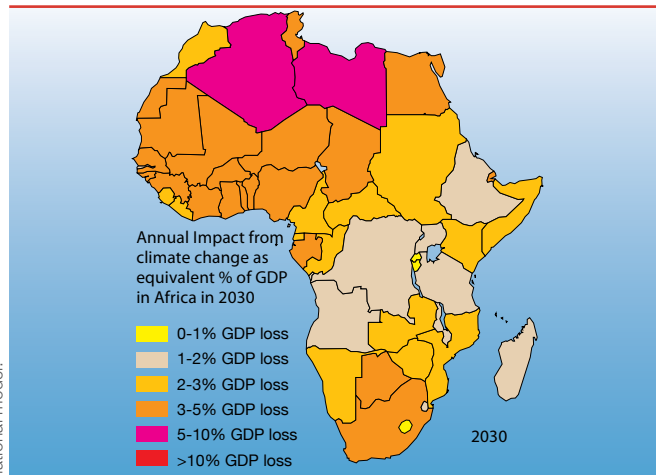
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What results have been achieved?

Projections confirm that Africa will be disproportionately affected by climate change because of overreliance on rain-fed agriculture and weak capacity. The short-term impact has been severe. According to the World Meteorological Organization, temperatures for the 2001–2010 decade in Africa averaged 0.85°C above normal. While it is not clear how far the current conditions can be attributed to climate change, very sparse rains over two seasons combined with a strong La Niña event, have caused a severe food crisis which is affecting around 10 million people in the Horn of Africa.

While impacts are increasing in severity, mainstreaming climate adaptation efforts in Africa have begun but face challenges. At the *country level*, 16 countries, assisted by development partners, are building capacity to integrate climate change into development planning. 30 countries have prepared Technology Needs Assessments (TNAs). Learning forums to share knowledge and good practices, such as the African Adaptation Programme and AfricaAdapt, have been established. But lack of

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



resources and weak capacity continue to impede implementation. Less than 10% of projects covered under NAPAs have received funding.

At the *regional level*, ClimDev-Africa has yet to become operational although the recent decision by the AfDB to budget US\$145 million for the ClimDev Special Fund is expected to help. ACPC has only been operational since November 2010. Regional frameworks of climate change programmes will need more work before they can effectively be implemented.

At the *global level*, while the Cancun Agreements have helped to move the climate negotiations forward, key political decisions will still be needed at COP 17 in Durban to operationalise agreed mechanisms on adaptation (in particular, the modalities, composition and governance of the Adaptation Committee), funding (see detail in Topic 19), MRV of climate actions and finance and the modalities of international appraisal of country progress, and technology transfer (access to climate-friendly technologies, intellectual property rights, more support for adaptation technologies, and linkages between technology and finance). On mitigation, wide differences remain in the positions of developing and industrialised countries including on the legal status of commitments, the potential for new market-based instruments, and the future of the Kyoto Protocol.

What are the future priority actions?

Africa

- Build appropriate institutional frameworks at regional, national and sectoral levels to help integration of climate change into national development programmes;
- Coordinate activities between climate resiliency and low carbon development more systematically.

Development partners

- Sustain momentum on making institutions for climate funding, technology cooperation and adaptation fully functional;
- Substantially increase the ambitions of emission reductions and agree on an institutional framework required for the world to stay below the maximum 2°C temperature rise;
- Ensure that adaptation no longer remains the poor sister of mitigation in allocation of effort and funds.

Topic 7

EDUCATION

Key commitments

Africa: The African Union has acknowledged the primary role of education in human development through a series of founding statements. African governments have signed up to the Education for All (EFA) programme of action and have committed to developing costed plans to achieve EFA, supported by the Fast Track Initiative (FTI). The Second Decade of Education for Africa (2006-2015) has built on gaps identified in the first education plan, moving beyond primary school enrolment to a more holistic approach to education.

Development partners: Development partners have made commitments to support the MDG goals of universal primary education and of gender equality in education (see also Topic 10), as well as the EFA Framework for Action. G8 summits have reiterated commitments to the EFA and members have pledged to meet resource shortfalls faced by the FTI. Development partners have also committed to create an International Task Force “Teachers for EFA” to counteract limited supply of qualified teachers in low-income countries. The 2010 G20 Summit in Seoul reiterated the link between education and labour markets, to increase employment in quality jobs, boost productivity and enhance potential growth. The ECOSOC meeting in 2011 reiterated the potential of education on development in Africa, highlighting quality of educational outputs; equitable access and aligning educational policies to labour market demand.

What has been done to deliver on these commitments?

Africa: Domestic resources across the majority of sub-Saharan African countries have been scaled-up, notwithstanding the food, fuel and financial crises. Some countries have made counter cyclical increases in resource allocation to sustain gains made. During the late 2000s real expenditure on education increased by 4.6 percent per year and real growth of per capita education spending accelerated to 2 percent per year. 26 African countries have had their national

education plans endorsed by FTI, 2 more than in June 2010.

Development Partners: Aid to basic education in Sub-Saharan Africa, the region with the largest EFA financing gap, fell in 2008 in real terms by 4 percent, or 6 percent per child in education, factoring in growth of school population. This levelling off does not necessarily signal a new trend, but current aid levels are incompatible with donors’ pledge that no government committed to achieving Education for All by 2015 should falter due to a lack in resources. Commitments on aid effectiveness, through the Paris and Accra declarations, are not being met. The 2010 target of 80 percent of aid channelled through national budgets still falls short, at 50 percent.

What results have been achieved?

Net primary education enrolment has risen in all African countries, reaching an average 83 percent overall in 2009. With an 18-percentage-point gain between 1999 and 2009, sub-Saharan Africa has the best record for improvement, followed by Northern Africa which had an 8-percentage-point increase during the same period. 16 countries had achieved rates above 90%. The region as a whole is likely to attain its MDG target of enrolment. Increases in primary completion rates have not kept pace and the regional average remains less than 70 percent. Inequities still constrain progress to higher enrolment and completion rates particularly for refugee children, rural populations, girls and low income groups. Girls in the poorest 20 percent of households are 3.5 times more likely to be out of school than girls in the highest income groups and 4 times more than boys in the higher income groups.

Gender parity in primary education is likely to be achieved by most countries, with past improvements sustained at the primary level (see also Topic 10). In sub-Saharan Africa 92 girls, and in North Africa, 95 girls were enrolled for every 100 boys in 2009 demonstrating continuous progress towards the gender parity target of 97-103 girls per 100 boys. Sixteen countries had reached parity.

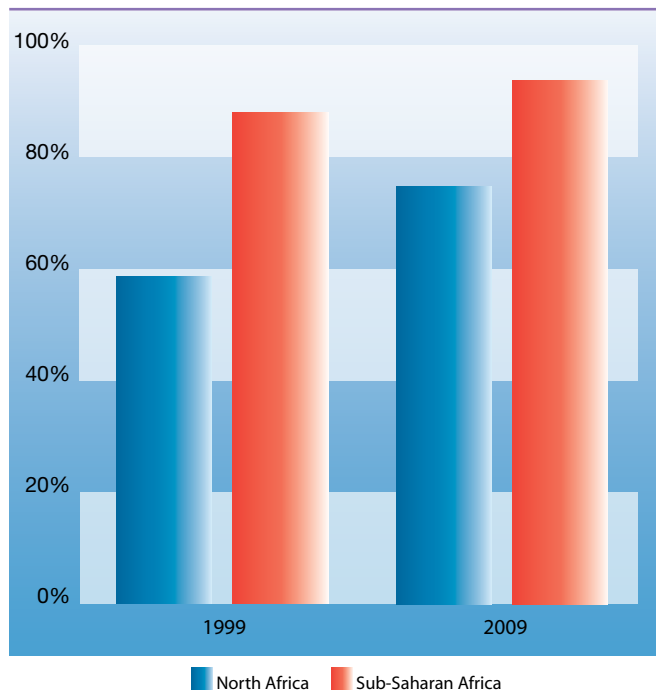
The picture at secondary level is less promising, although improv-

Significant progress in primary enrolment. More needed to improve quality and equity of access and ensure education addresses needs of the wider labour market.



© Steven Chiu

Gap to net enrolment target in primary education in selected African countries



Source: UN MDG report 2011.

ing. Sub-Saharan Africa enrolment ratios have increased, albeit from a low base, by 40 percent since 1999. Gender parity is also less hopeful than at primary level, with Sub-Saharan gender parity at secondary school regressing from 82 girls in 1999 to 79 in 2009. On the other hand in North Africa, gender parity at secondary level increased from 93 to 98 over the same period. And the continental aggregate exhibits that ten countries had a parity index of more than 0.9.

On literacy rates North Africa chalked up the most progress with increases of 19 percentage points between 1990 and 2009 and Sub-Saharan Africa showed significant improvement as well—a rise of 7 percentage points during the same period. Still, Sub-Saharan Africa remains the region with the lowest youth literacy rate (72 per cent in 2009). In spite of overall progress, 47 million young people lacked basic reading and writing skills in 2009 in Sub-Saharan Africa. However, 15 countries had literacy rates above 90 for both men and women. Enrolment in tertiary education has increased slightly in sub-Saharan Africa, from 5% to 6% over 2006-08. Qualified teacher numbers remain well below requirements, with a shortfall estimated around 3 million. In 2009, the aggregate pupil teacher ratios at primary level were above the international norm of 1:40.

What are the future priority actions?

Africa

- Maintain and scale-up progress in primary education including through increased budgetary allocations to ensure equity in access for vulnerable groups including low income groups, rural dwellers and girls, refugee children and illiterate adults through increased targeting;
- Make quality of primary school graduates a top priority, so as to provide better access to post-primary education and increase “employability” of young primary school leavers;
- Increase investment in post-primary education to address both the quantity and quality of teaching and address the needs of the wider labour market.

Development partners

- Accelerate progress in education assistance with an increased attention to African priorities, through strengthened quantity and quality of aid to education;
- Support African efforts to improve the quality of education at all levels through the production of qualified teachers for primary and post-primary education;
- Continue to support FTI.

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

Africa: African governments have made a series of broad and specific commitments to scale up investments in health. AU member States have committed to allocate at least 15% of their expenditure from domestic resources to the sector. They have committed to a target of universal health care access, including sexual and reproductive health services. They have committed to accelerate interventions towards universal access to HIV and AIDS prevention, treatment, care and support by 2010. Almost all countries have established or strengthened national coordinating bodies for HIV/AIDS, tuberculosis and malaria. Maternal, infant and child health was the central theme of the AU July 2010 Heads of State summit, which called for increased resources for this and HIV/AIDS. Eighteen African countries have made specific commitments as a response to the UN Secretary General's 'Global Strategy for Women's and Children's Health', in addition to development partners, multilateral organizations, civil society and non-governmental organizations, the business community, health-care workers and academic and research institutions.

Development partners: Development partners have sought to support Africa's investment in health. G8 summits in particular have identified health as a priority, pledging an additional US\$60 billion over 2006-11 to counter infectious diseases and build health systems. Early commitments since 2005 emphasised HIV/AIDS and specific infectious diseases, particularly through the support of vertical health funds and innovative financing mechanisms. More recent commitments have broadened with increased emphasis on health systems, health worker training and neglected tropical diseases. They have also committed to the provision of drugs and treatment at affordable prices, and have pledged US\$5 billion to address maternal mortality over 2010-15.

What has been done to deliver on these commitments?

Africa: Progress towards meeting the 15% Abuja budget target has

been limited. As of 2009, 27 countries had increased the proportion of total government expenditures allocated to health since 2001, although only two of these had achieved the Abuja budget target. Seven countries reduced government expenditures to health during the period. In 12 other countries, government expenditures remained unchanged. The median level of real per capita government spending from domestic resources on health increased from US\$10 to US\$14 over the decade, less than half of the expected expenditure of US\$33 per capita needed to meet the MDGs in low income countries in 2009. In 2009, 39 African governments distributed insecticide treated mosquito nets (ITNs) free of charge. The number of ITNs delivered in sub-Saharan Africa rose from 5.6 million in 2004 to 88.5 million in 2009. Twenty-nine countries have launched the Campaign on Accelerated Reduction of Maternal Mortality in Africa (CAR-MMA) to promote maternal and child health. All countries have developed national plans or strategies to promote comprehensive HIV treatment, care and support.

Development partners: DAC Official Development Assistance (ODA) commitments to health in Africa increased from US\$1.6 billion in 2002 to US\$8.4 billion in 2009. The bulk of existing funding has been directed towards infectious diseases, including HIV/AIDS. By contrast, assistance for health systems has remained unchanged for the last decade. The Global Fund for AIDS, Tuberculosis and Malaria (GFATM) has been fully funded; innovative financing mechanisms, including the Advance Market Commitment pilot and the International Financing Facility for Immunisation (IFFIm) have been supported, as have a number of international initiatives to tackle diseases such as malaria and polio. In 2008, the International Health Partnership+ (IHP+) and the US President's Emergency Program for AIDS Relief (PEPFAR) committed to address the health workforce crisis by training and retaining a minimum of 140,000 new health care professionals and paraprofessionals. The WHO Global Code of Practice on the International Recruitment of Health Personnel, to stem the flow of health workers from poor countries where there are shortages, was agreed in 2010.

Progress continues in a number of areas, but increased financing required, and more emphasis needed on health systems and health workers.



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What results have been achieved?

Africa remains the region most heavily affected by HIV/AIDS, although infection rates continue to decline, and the HIV prevalence rate has decreased from 5.5% in 2001 to 4.7% in 2009. Treatment coverage has improved; 37% of those who need it now have access to antiretroviral therapy, up from 14% in 2006. Tuberculosis prevalence declined slightly from 507 to 475 per 100,000 between 2007 and 2009. 11 countries have seen malaria cases fall by more than 50% since 2000, and while access to treatment remained poor in most African countries, it increased significantly from 1.2 million in 2004 to 62.6 million in 2008. Deaths from malaria dropped from 802,000 in 2007 to 709,000 in 2009.

Immunisation of one year-olds against measles in sub-Saharan Africa increased from 55% in 2000 to 68% in 2009, and currently

stands at 94% for North Africa. Under-five mortality rates declined from 180 to 129 per 1000 live births from 1990 to 2009 in sub-Saharan Africa and from 80 to 26 per 1000 live births between 1990 and 2009 in North Africa. Maternal mortality declined from 230 to 92 per 100 000 live births between 1990 and 2008 in North Africa. Although it remains much higher in sub-Saharan Africa, where the ratio is 640, this is an improvement from a maternal mortality ratio of 870 in 1990.

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

What are the future priority actions?

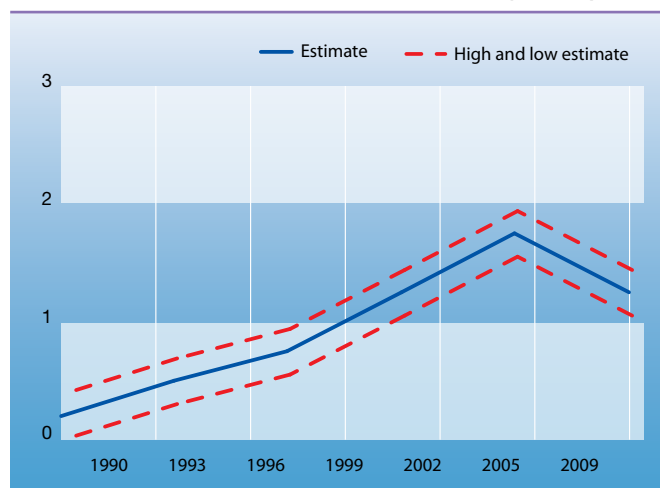
Africa

- Increase overall health financing to meet its commitments, including domestic resource mobilization, encouraging dialogue between Ministers of Health and Ministers of Finance, as was done at the 2010 AU Heads of State Summit and the 2011 Fourth Annual Joint AU ECA Conference of Ministers of Finance;
- Strengthen health systems in conjunction with sectoral collaborations with education, trade and finance, and heightened attention to water and sanitation infrastructure;
- Build skilled workforce capacity through improved training, incentives and resources.

Development partners

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

Sub-Saharan Africa HIV/AIDS deaths, 1990–2009 (millions)



Source: UNAIDS / WHO Global Report 2010.

Topic 9

FOOD SECURITY

Key commitments

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

- strengthen information and early warning systems;
- support national and regional initiatives to establish emergency food reserves and strengthen the logistics capacity to transport these;
- invest in appropriate safety net systems, in countries vulnerable to food insecurity.

Development partners: have similarly prioritised food security, and committed to supporting agricultural development, with special attention to smallholders, women and young farmers (see also Topics 2 and 10). Their commitments include the L'Aquila Food Security Initiative (AFSI), the World Food Summit Declaration in 2009, the G20 Seoul Summit Declaration in 2010 and the Action Plan adopted by G20 Agriculture Ministers in June 2011, and include to:

- mobilise US\$20 billion over 3 years under the AFSI;
- foster strategic co-ordination from national to global levels;
- reduce excessive price volatility of food and other agriculture commodities and address associated risks.

What has been done to deliver on these commitments?

Africa: Many countries have established national food security stocks or strategic grain reserves; food, cash or employment based safety nets; and early warning systems. Progress at a regional level has been slower though ECOWAS and its member countries have developed an important pilot project for a targeted regional emergency humanitarian food reserve system based on physical and financial mechanisms to complement existing national food reserves. The AU/NEPAD has developed a roadmap on the integration of risk management into CAADP

national and regional investment plans, and the AU has developed an African Risk Capacity Project. In response to the crisis in the Horn of Africa the AU convened a 'pledging conference' in August 2011 which mobilized US\$351.5 million dollars in cash and US\$28 million in kind. The AU has also developed a draft long-term strategy to address food and nutrition crises, putting CAADP at the centre of achieving long-term food security.

Development partners: Around a quarter of the AFSI pledges of US\$22 billion have been disbursed, a further quarter is on track to be disbursed, and the full total is expected to be disbursed or allocated by the end of the AFSI period. Around US\$6 billion represents new funding. The World Bank's Global Food Crisis Response Program was extended to mid 2011 to address continuing high global food prices: 17 of the 27 Trust Fund beneficiary countries are African. Reforms of the multilateral architecture for food security have progressed, including reform of the Committee on World Food Security and the establishment of the Global Partnership for Agriculture, Food Security and Nutrition. There has been a major focus on food security within the G20 process. Following recommendations from international organisations, G20 Agriculture Ministers have developed an Action Plan on food security and price volatility for endorsement at the G20 Summit in November 2011. Priorities include: strengthening long term productivity, resilience and sustainability; launching a global Agricultural Market Information System (AMIS) to increase market information and transparency; developing tools to mitigate risks and cope with the consequences of price volatility; and improving the functioning of agricultural commodities' derivatives markets. There are a number of ongoing initiatives to expand innovative risk management tools. Development partners have provided US\$1.6 billion in response to the UN appeal for US\$2.5 billion in emergency assistance for the Horn of Africa.

What results have been achieved?

Despite its agricultural potential, Africa has remained a net importer of food and some regions have been particularly vulnerable to food short-



Food prices remain high and volatile. Need to scale up regional co-operation and safety nets.

ages. The IPFRI Global Hunger Index showed some progress in reducing hunger in most African countries between 1990 and 2007. However in 2010, FAO reported that an estimated 239 million were undernourished in sub-Saharan Africa (around 26% of the global total of 925 million), slightly down from 251 million in 2009 but still above the pre-food crisis figure of 208 million in 2008. In the Horn of Africa the severest drought in 60 years has affected more than 13 million people and the UN has now declared famine in six regions. Based on current trends, Africa will be unable to meet the MDG 1 target (halving the proportion of people who suffer from hunger by 2015). At the same time, there has been a structural decline in food aid. When combined with vulnerability to the impacts of climate change and water scarcity this accentuates food insecurity in Africa. Higher food prices have also contributed to an increase in the incidence, depth, and severity of poverty.

Food prices remain high and volatile in many international food markets, influenced by factors ranging from oil prices to stock levels, climate variability and biofuel production. Price increases have been

differently distributed among commodities and across time. Prices rose sharply in 2007 and early 2008, to fall dramatically in the second half of 2008. They rose again in late 2010 and have since remained high. In spring 2011 world price levels once again reached the levels of 2007/08. While in 2010 harvests in many food importing countries in Africa were above average or good, and stocks were higher, leading to more stable prices in the region, this has changed in 2011, particularly for the Horn of Africa. The current situation presents serious risks to food security. Looking ahead, the OECD-FAO Agricultural Outlook for the next decade points to continued high prices and price volatility. The key challenge will be to contain excessive volatility around the general upward trend in prices.

What are the future priority actions?

(in addition to those in Topic 2 Agriculture)

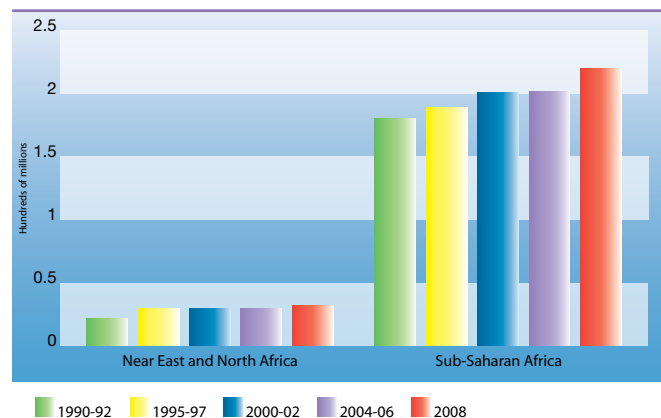
Africa

- Step up regional coordination on early warning systems, and rebuild food stocks for emergency use, and scale up safety net programs in countries vulnerable to food price fluctuations and climate shocks;
- Develop market-based mechanisms and financial instruments (e.g. weather-indexed and crop risk insurance) to manage risks and smooth food import costs and open markets to enable food to flow from surplus to deficit areas;
- Integrate climate change and increased climate variability into future food security strategies.

Development partners

- Deliver existing AFSI commitments, and make specific new commitments backed by detailed plans for sustained support to food security beyond 2012;
- Implement the recommendations on price volatility in the June 2011 report from international organisations and the G20 Agriculture Ministers' Action Plan;
- Remove production distorting subsidies and trade barriers and subsidies for biofuels production or consumption.

Number of undernourished in selected regions, 1990-92 to 2008



Source: FAO SOFI Report 2010.

Topic **10**

PROMOTING GENDER EQUALITY AND WOMEN'S EMPOWERMENT

Key commitments

Africa: African leaders have affirmed a broad range of commitments to gender equality, women's rights and empowerment in both economic and political spheres, including key declarations such as the Protocol to the African Charter on Human and Peoples' Rights on the Rights of Women in Africa, (2003) and The Solemn Declaration on Gender Equality in Africa (2004). Through such declarations, African governments have committed to report annually on progress towards gender equality. A series of commitments emphasising gender concerns in social and economic spheres have also been made through AU and regional level sectoral declarations, including on education, health, 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. 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, and commitments to assist developing countries manage the impact of the 2009 financial crisis pledged to accelerate action on gender equality. The G20 have highlighted gender gaps in relation to skills in their multi-year action plan.

What has been done to deliver on these commitments?

Africa: Progress in entrenching norms and standards for promoting and protecting the rights of women is mixed. All but two African countries have ratified the Convention on the Elimination of all Forms of Discrimination against Women (CEDAW) and 30 countries have ratified the Protocol to the African Charter on Human and Peoples' Rights on the Rights of Women in Africa. Many countries are making efforts to imple-

ment their gender equality commitments through strengthening social policy and enacting laws to promote women's socio economic rights. 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 23 countries have legislation in place. 18 out of the 28 countries practicing female genital mutilation have outlawed it. Since 2007, 6 countries have developed National Action Plans on women, peace and security. A majority of African countries have ratified the ILO Conventions 100 and 111 that address wage and employment discrimination respectively. However, implementation remains weaker.

Development Partners: In 2007-2009 OECD – DAC members committed US\$23 billion per year globally in bilateral support for gender equality, much of it in the health, education and governance sectors. Lower priority was given to gender equality in the economic and productive sectors than others. In 24 of 26 countries providing direct support, the top 10 recipient countries were in Africa. Multilateral development banks and IFIs have also strengthened their support, such as through the African Development Bank's (AfDB) Gender Plan of Action (GPOA) and the World Bank's three year road map for gender mainstreaming (2011 – 2013), which will build on lessons learned.

What results have been achieved?

Incremental progress by African governments in the social sectors has been recorded, particularly in education and political decision making. However, this has yet to transform the persistent and multiple gender equality challenges and largely poor socio economic indicators.

Education: The majority of African countries are on course to achieve the MDG primary enrolment and gender parity targets in education; 16 countries have already reached parity. The challenge lies at secondary and tertiary levels, where African governments are under investing (see also Topic 7).

Health: Available data on maternal health shows that Africa has registered an overall decline between 1980 and 2008, across all sub re-

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



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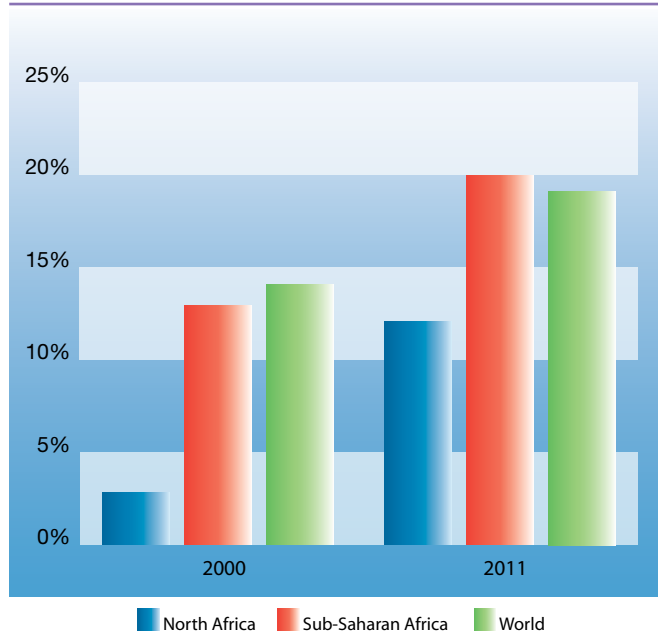
gions, although the rate remains high (particularly in Sub-Saharan Africa). 50% of all maternal deaths globally are in Africa. Of 52 African countries reporting on the proportion of births attended by a skilled health professional in 2010, only 7 countries recorded 90 percent and above. Recent HIV prevalence data show that in sub Saharan Africa, 13 women become infected for every 10 men infected. Much has been done to scale up prevention, treatment and support, but the disproportionate impact on women remains a major challenge (see also Topic 8).

Economic participation: The gender gap in employment remains significant. Women’s employment ratio remains about 25% below

men’s, and more than twice as many women are in more vulnerable employment in the informal sector. In most countries women remain poorly represented as employers, and in economic policy development and decision making.

Political representation: Representation in Parliaments has increased in most countries. In 2011, Sub Sahara Africa had reached 20% female participation, slightly above the world average of 19%. North Africa increased to 12%, up from only 3% in 2000. At the leadership level, women have been elected as presiding officers of Parliament in ten African countries. 7 of the 24 countries globally which have more than 30% female participation (in single or lower houses of national parliaments) are African: in one country the figure is over 50%. Findings show that women’s equal participation in decision-making is critical to more accountable and responsive governance. For instance, women in top decision-making positions have played a championing role in ensuring that gender is taken into account in policies and laws in mainstream portfolios, such as mining and agriculture. Increased representation of women in decision making at local government levels is also reported in a number of countries.

Proportion of women in national parliaments in 2011 (%)



Source: UN MDG report 2011.

What are the future priority actions?

Africa

- Broaden strategies to enhance women’s access to economic opportunities through promoting their human rights and participation in policy development and implementation;
- Move quickly beyond policies and plans to implementation, including prioritizing actions to achieve the goals of the African Women’s Decade 2010-2020;
- Generate quality gender disaggregated data in order to effectively monitor progress in achieving gender equality.

Development partners

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

Topic **11**

POLITICAL GOVERNANCE

Key commitments

Africa: African governments continued to underscore good political governance as an essential prerequisite of development and poverty reduction. They have committed to electoral reform 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. With the African Peer Review Mechanism (APRM), African governments have also established a continental apparatus to monitor and promote good governance.

Building on these commitments, the 16th AU Summit in January 2011 committed to the establishment of a Pan-African Governance Architecture (AGA) to enhance the capacity of the AU to promote, evaluate and monitor governance trends. The AGA would consolidate charters and protocols already adopted to improve political governance, including the African Charter on Democracy, Elections and Governance (2007). Once ratified it would create an obligation amongst AU Member States to respond to unconstitutional actions within member states and secure the gains made in democracy and governance.

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

What has been done to deliver on these commitments?

Africa: Elections continue to be the most visible and tangible expression of the AU and its member states' commitment to democracy and governance. By the end of August 2011, 36 countries had signed and 10 had ratified the African Charter on Democracy, Elections and Governance.

The AU continues to campaign for further ratifications, with the expectation that the required 15 member states will ratify soon. Elections have become more frequent: between January 2010 and September 2011, more than half of the African States held elections, whether Presidential, Parliamentary, or local. The AU and regional organizations have supported this process through election observation missions, through the establishment of a technical assistance program for Election Management Bodies, and at a political level. They have taken a firm stand in support of the peaceful transfer of power following elections, and against unconstitutional changes of government.

Many countries have established or strengthened national institutions for popular participation and oversight institutions that have functioned with varying degrees of autonomy. These political transformations have been accompanied by an upsurge in the number of civil society organizations, independent media, and other platforms for political expression.

The implementation of the African Peer Review Mechanism (APRM) has accelerated since the 2010 report with a total of 31 countries acceded to the process. From January 2010 to September 2011, three countries received Country Support and Review Missions, while two more completed the full-cycle of the review.

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. Development assistance in supporting elections in Africa increased by almost 85% over 2007-2008, reaching US\$275 million, and has more than tripled since 2000. Development partners have further shown strong support to the AU's position on unconstitutional changes in government.

What results have been achieved?

There have been improvements in the quality of political governance across much of Africa. As well as a decline in the number of autocratic

Democratic processes strengthening, but quality of elections varies. Strong stance taken against unconstitutional changes of government. Continued support and recognition of APRM process.



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and unaccountable regimes, there has been an increase in the number of political systems that are largely based on democratic norms, the rule of law and separation of powers. Overall, popular support for democratic institutions and good political governance in Africa has become stronger. The next AGR will review trends in democratic governance between 2005 and 2011 in detail, and its results will be reported in the next MRDE.

The quality of elections has improved, but continues to be uneven. The last two African Governance Reports (AGR) found that more than 60% of electoral processes between 2005 and 2009 were considered independent and credible.

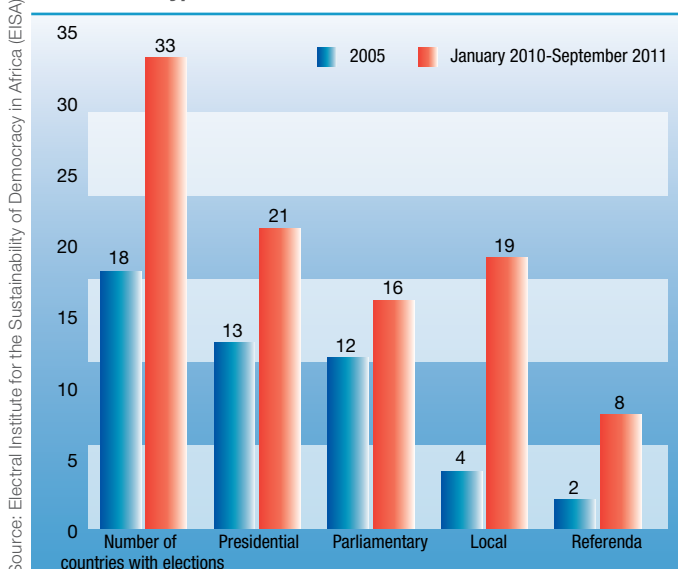
There has been some success in reversing unconstitutional change. In several countries elections have led to the successful transfer of power to civilian regimes. In one case political pressure was applied, by the AU and regional organizations, with the support of the wider international

community, in response to unconstitutional change, with the end result of a transfer of power to a democratically elected government.

Popular movements based on organized networks led by social media as distinct from conventional opposition parties with a central leadership, have led to momentous political changes in North Africa. The underlying causes have been both political and economic. Elections are due to be held later in 2011. These changes are likely to have significant implications for the African Union, and the rest of the continent. However,

Despite these advances, there are challenges for the future. The escalation of election related conflict and political violence signal weaknesses in the governance of elections, the rules of orderly political competition, and the lack of mechanisms to interpret and adjudicate electoral disputes. Managing diversity through elections and electoral competition remains a challenging issue. The full potential of the changes in North Africa and their impact have yet to be consolidated and the danger of slip-page and reversals are still there. Broader challenges of political governance include institutional capacity to implement checks and balances, accountability, respect for the rule of law, civil liberties and human rights.

Number and type of elections



What are the future priority actions?

Africa

- Ensure that elections are universally free and fair, while maintaining the AU's strong zero-tolerance policy for unconstitutional change of power;
- Improve other indicators of political governance including checks and balances, accountability, the rule of law, civil liberties and human rights;
- Continue to promote the implementation of the APRM as an instrument of Shared Values 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 elections;
- Continue to support the APRM, whilst respecting African ownership of this process.

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

Africa: African governments have made commitments in 3 broad areas : macroeconomic policy management, public financial management (including transparency), and tackling corruption. Twenty-one African countries are parties to the Extractive Industries Transparency Initiative (EITI) which aims to promote revenue transparency in the oil, gas and mining industries. The AU Convention on Preventing and Combating Corruption (AUCPCC) which entered into force in 2006 covers offences including bribery and money laundering, asset recovery provisions, and corruption in the private sector. The African Peer Review Mechanism provides a mechanism for reviewing progress in economic as well as political governance (see also Topic 11).

Development Partners: Development partners have made commitments to provide support for African efforts in these areas, and to tackle related issues within their own jurisdictions. The second category includes commitments : to promote transparency including through initiatives such as the EITI, to tackle illicit financial flows (see also Box X at Annex Y) and help return and identify stolen assets, and to tackle corruption including through the United Nations Convention against Corruption (UNCAC) and the OECD Convention on Combating Bribery of Foreign Officials in International Business Transactions (OECD Anti-Bribery Convention). Commitments have been re-stated over the last year within the G8 and G20 processes. At its November 2010 Summit, the G20 adopted an Anti-Corruption Action Plan on Combating Corruption, Promoting Market Integrity, and Supporting a Clean Business Environment. The G8/Africa Joint Declaration adopted at the G8 Summit in 2011 re-iterates a strong joint commitment to good financial governance including transparency in revenue collection. Development partners have also made related commitments to promote responsible business conduct (see topic 4), greater tax transparency (see topic 15), and greater aid transparency (topic 16).

What has been done to deliver on these commitments?

Africa: Many African countries have taken major steps to bring macroeconomic policy on to a sound basis, and have instituted reform across the public resource management cycle including the reconstitution of national revenue administrations, modernisation of legal frameworks including in procurement, creation of new structures in the budget preparation process, and strengthening of supreme audit institutions. Yet, there are challenges, including a significant transparency deficit, inadequate accountability, deficient political will to adhere to constitutional frameworks, tax and budget management laws, and technical and managerial capacity shortfalls. By the end of July 2011, five African countries had been designated as EITI compliant and sixteen were candidate countries. In the same period, sixteen African countries met the minimum requirements of the Kimberley Process Certification Scheme. Regional initiatives have been taken to tackle illegal exploitation of and trade in natural resources.

At January 2011, 45 AU member states had signed the AUCPCC and 31 ratified it. At the end of May 2011, forty African countries have signed and forty-three ratified the UNCAC. Nine African countries have first year reviews underway. In January 2011 the African Development Bank launched a joint initiative with the OECD to support business integrity and anti-bribery efforts in Africa.

Development partners: Key recent developments include important moves in one major jurisdiction towards the mandatory reporting of payments made to governments by companies operating in the oil, gas and mineral sectors, and discussions on adopting similar requirements in other jurisdictions. An OECD Task Force on Tax Crimes and other crimes has been established to help tackle illicit financial flows. However despite the Stolen Assets Recovery Initiative (StAR) launched by the UN and the World Bank Group to help developing countries recover stolen assets, including the proceeds of corruption, the process for asset recovery remains lengthy and difficult, and the level of activity is extremely low and uneven. On bribery : since the OECD Anti-Bribery Convention entered into force in 1999, 290 companies and individuals have faced criminal

Sound macro-economic management helped mitigate effects of crisis. Now need to increase transparency and continue efforts to tackle corruption.



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sanctions for the bribery of foreign public officials in international business deals. 40 individuals have gone to jail and approximately 260 investigations are ongoing in 21 countries – though no separate data is available on how many of these relate to Africa.

What results have been achieved?

Macro-economic policy management: sound domestic macro-economic policy created the space for African governments to adopt counter-cyclical policies to mitigate the effects of the crisis. All regions have grown every year, except one in 2009. Aided by rising revenue, fiscal balances are set to revert to pre-crisis levels although rising food and fuel prices may affect this;

Public resource management: pockets of the public resource management cycle that are performing better on average. But based on the review of about 20 African countries for which historical data on public financial management (PFM) is available, about half show no clear trend while the other half is almost equally split between those showing improvements in the quality of their PFM systems, and those where PFM quality has deteriorated;

Transparency: African countries lag the rest of the world in terms of transparency in revenue from the oil, gas and mining industry and the

budget. The fifteen African countries that made up the 2010 Revenue Watch Index report had an average score of 37.6 compared to an average of 51.8 for the forty-one countries covered by the report. Of the 27 African countries surveyed for the Open Budget Index (OBI), 18 published either no or scant or minimal budget information and 8 published some budget information. Only one African country published significant or extensive budget information.

Corruption: Every year an estimated US\$20 to 40 billion in stolen assets is lost to developing countries through corruption, much of which finds safe haven in international financial centres. Measured through perceptions, progress continues to be slow: Transparency International's 2010 Corruption Perceptions Index indicates that corruption is perceived to be rampant in 33 countries assessed in Africa, down from 35 in 2009.

Recovery of stolen assets: Some African countries have recovered stolen assets but differences in legal jurisdictions mean that the processes involved are often complex and costly. The StAR initiative estimates that in the past 15 years, only US\$5 billion has been returned to the countries of origin.

What are the future priority actions?

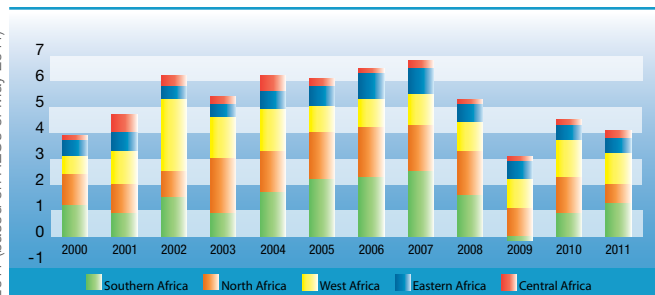
Africa

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

Development partners

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

Shares of growth by sub-region



International Monetary Fund, World Economic Outlook Database, April 2011 (based on REOs of May 2011)

Topic **13**

PEACE AND SECURITY

Key commitments

Africa: African Governments have made commitments to intensify their security cooperation under the African Peace and Security Architecture (APSA) and have institutionalized innovative conflict prevention, management and resolution mechanisms at continental and regional levels. They have established the Peace and Security Council (PSC), a 15,000-troop-strong African Standby Force (ASF), a Special Peace Fund, a Panel of the Wise, and an Early Warning System (EWS). Recent commitments have sought to consolidate progress, strengthen institutional capacities, secure flexible but predictable funding and build relationships with the UN and other partners. African governments have also adopted a number of common positions, including on the illicit 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, including through commitments to train and equip peacekeeping forces, build institutional capacities, and improve their funding and disbursement mechanisms. They have committed to support the global peace and security architecture through the UN system. They have also pledged to address drivers of conflict and insecurity, including terrorism, the trafficking of small arms and light weapons, and the illicit trade in natural resources and narcotics.

What has been done to deliver on these commitments?

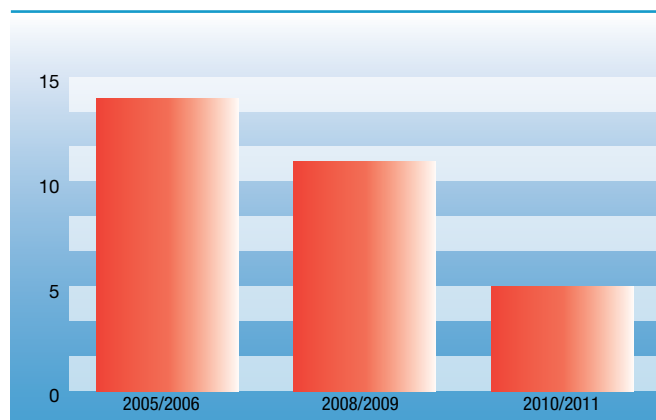
Africa: The African Peace and Security Architecture is increasingly operational, though problems remain. The PSC has to date intervened politically and/or militarily in 15 countries. In 2011, it has reviewed eight country cases and politically and/or militarily intervened in five countries. The PSC has also considered a number of policy issues, such as post conflict reconstruction and development, and the situation of

women and children in conflict. The AU has also taken steps to enhance co-operation in addressing the threat of terrorism.

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. Overall, the participation of African peacekeepers in UN, AU and regional missions in Africa has increased fourfold over the last decade, reaching more than 40,000 in 2011, and four African countries are in the top ten providers of uniformed personnel to peacekeeping missions. Regional protocols aimed at addressing the proliferation of small arms and light weapons have been signed. 31 countries had signed and 7 had ratified the Kampala Convention on protection and assistance to internally displaced people by end of August 2011.

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 and the absorptive capacity for further capacity building is low. Effective African-led security efforts have been absent in a number of cases of conflict.

Number of countries experiencing conflict



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



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

Direct support to African initiatives has occurred within a broader framework of support and cooperation through the UN, with a global peacekeeping budget of US\$7.2 billion between July 2010 and June 2011. Of this US\$5.6 billion was for seven operations in Africa, of which one completed its mandate and withdrew at the end of 2010.

The UN and AU have strengthened cooperation and redefined the scope and content of their collaborative partnership in conflict management.

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

What Results have been achieved?

There have been some major achievements, notably the peaceful conduct of the self determination referendum for Southern Sudan in January 2011 and its subsequent independence in July 2011, and the eventual resolution of the election related conflict in Cote d'Ivoire with a transfer of power to an elected government. In both cases a key factor was Africa and her partners working together. Looking across a longer time horizon, there has been a significant reduction in the number of conflicts since the 1990s and early 2000s. There are currently no active inter-state conflicts in Africa and no cases of conflict in one state drawing in its neighbours across a region. The number of

countries currently experiencing intra-state conflict has also reduced, and involves five, down from eleven two years ago and 14 five years ago. There have been a number of successes in building stability post conflict. As a result of effort put into post conflict reconstruction, including work on political transition and building institutions, elections have been held in nine post conflict countries (see also Topic 11).

Set against this, some ongoing conflicts remain longstanding, complex and difficult to resolve, new conflicts have arisen, and election-related violence as a cause of conflict has increased. Whilst the action of the AU and regional organizations in condemning unconstitutional changes of government and calling for election results to be accepted has helped contain conflict and uphold constitutional order in some cases, in others it has been unable to prevent the outbreak of large-scale conflict. At the time of going to print various conflicts are ongoing, and it is not the aim of this report to make comment on these.

In addition to conventional conflict, there are also major problems of piracy, human and other trafficking, terrorism, and cross-border violence.

What are the future priority actions?

Africa

- Increased efforts at continental and regional levels to prevent, manage and resolve conflict including through African-led peace operations;
- Provide sufficient financial and human resources to do so;
- Address the drivers of conflict through implementation of agreements tackling conflict resources and the proliferation of small arms and light weapons.

Development Partners

- Drawing on recent lessons, provide political support for African regional and continental organizations in resolving conflict;
- Provide practical resources where needed in support of peacekeeping and peace building capacities;
- Enhance efforts to address the illicit trade in natural resources and narcotics.

Topic **14**

DOMESTIC PUBLIC RESOURCES FOR DEVELOPMENT

Key commitments

Africa: Since the 2001 NEPAD Founding Statement, African governments have emphasised the primary significance of domestic savings and of strengthened public revenue collection for development finance, and have pledged on many occasions to raise additional domestic resources.

Development partners: Supporting developing-country efforts to mobilise national savings was a major commitment of the Monterrey Consensus, re-affirmed at the follow-up 2008 Conference in Doha. Since then, there have been commitments at G20 Summits in 2009 and 2010 to support the development of more effective tax systems, and work to prevent erosion of domestic tax revenues, including through firmer action on non-cooperative tax jurisdictions. International organisations have been asked to undertake further work in both areas, with results to be reported to the 2011 G20 Summit.

What has been done to deliver on these commitments?

Africa: Many African countries have improved revenue mobilisation efficiency by broadening their tax bases. Thirty-five African countries have adopted value-added taxes to reduce reliance on trade taxes. Sixteen countries have established autonomous revenue authorities. The African Tax Administration Forum (ATAF), which currently has 36 member countries, has created a platform to help African 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 businesses in Africa still face the highest average tax burden in the world and paying taxes is time-consuming and cumbersome (see also Topics 4 and 12).

Although domestic revenue mobilisation has improved in most SSA countries, government revenue as a share of GDP remains weak compared to other regions and one-quarter of SSA countries still collect less than 15% of GDP as public revenue. Recent assessments of tax effort show that half of SSA countries can, on the basis of their economic poten-

tial, further raise the equivalent of 2 to 4% of GDP in revenue.

These low levels are attributed to weaknesses in tax administration, the narrow tax base, and large informal sectors. The tax base in several countries has also been eroded by: i) trade liberalization which has reduced revenue from taxes on trade; ii) the extensive use of tax exemptions to attract foreign investments; and iii) commercial tax avoidance through transfer pricing. The prevalence of free trade areas and customs unions within the region and between SSA countries and their major trading partners and increased tax competition to attract foreign investment will continue to put pressure on the tax base. While a number of countries have transfer pricing policies in place, even large middle-income countries still face significant challenges regarding the capacity and expertise to effectively assess risk and remedial actions.

Reforms and the success with rolling out VAT have increased tax efficiency, but have also led to a less equitable system, as (more regressive) indirect taxes play a greater role. By contrast, (more progressive) personal income tax has experienced only a small increase as a share of GDP, mostly in upper- and middle-income countries.

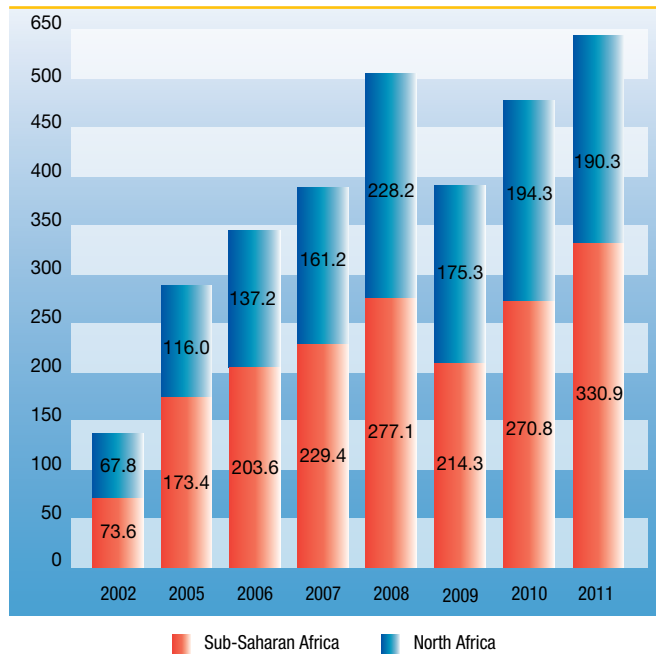
Development partners: There has been a significant scaling up of international effort since 2009. A G20 initiative led to establishment of a “Task Force on Tax and Development”, hosted by the OECD, to support developing countries on a broad range of tax issues including capacity building for tax administration, broadening the tax base, combating tax avoidance and evasion, and ways to tax multinational enterprises through effective transfer pricing. The work by the Task Force has focused on: 1) strengthening transfer pricing mechanisms in developing countries including through South-South cooperation and 2) encouraging more transparent reporting by multinational corporations and to assess the potential effect on tax mobilisation in less developed countries. Progress of this work will be reported to the 2011 G20 Summit. To counter harmful tax practices, over 100 countries, including from Africa, are working together through the “Global Forum on Transparency and Exchange of Information for Tax Purposes” to improve transparency and establish effective exchange of information. More than 600 agreements have been signed since April 2009 and a programme of peer reviews - applying to

Domestic revenue more than trebled between 2002 and 2008, fell sharply in 2009, and has recovered strongly in 2010 and 2011. Continued international effort needed on tax havens and transfer pricing.



© African Tax Administration Forum launch Uganda, November 2009

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



Sources: IMF, Regional Economic Outlooks (April-May 2011); World Economic Outlook database (April 2011).

all Global Forum members - on the implementation of agreed standards is underway.

What results have been achieved?

Total government revenue excluding grants increased from 21% to over 28% of GDP between 2002 and 2008 for sub-Saharan Africa; revenue/GDP ratios were even higher in North Africa, exceeding 30 before the global crisis. As a result, Africa more than tripled its revenue collection between 2002 and 2008 to reach over US\$505 billion, or more than ten

times the volume of ODA, though the ratio to ODA varies considerably (see annex table). Revenue to GDP ratios have increased most significantly in resource-rich countries helped by the boom in commodity exports and in middle-income countries but remained relatively flat in low-income countries.

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\$116 billion, some 23% over the previous year, to US\$389 billion. This decline occurred mostly in oil exporters, where revenue fell by over nearly 40%, from US\$287 billion to US\$167 billion, or roughly the level reached in 2006 before the oil price hike. Government revenue has recovered to reach US\$465 billion in 2010 and is expected to hit a new high of US\$521 billion in 2011. The sharp rise in government revenue in sub-Saharan Africa is partly offset by falling revenue in North Africa.

The gross national savings rate increased from an average of 18.3% of GDP in the pre-Monterrey period to a high of 24% in 2006 but has since dropped back to an average of 21% in the past three years. However, increases reflect the performance of resource-rich and middle-income countries, whilst low-income countries have made minimal improvement.

What are the future priority actions?

Africa

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

Development partners

- Intensify co-operation with Africa on tax havens, transfer pricing and greater transparency in key areas such as extractive industries (see also Topics 12 and 15);
- Increase support for improving Africa's tax systems.

Topic **15**

FOREIGN DIRECT INVESTMENT AND OTHER PRIVATE FINANCIAL FLOWS

Key commitments

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

Development partners: Since 2002 in Monterrey, development partners have repeatedly reaffirmed their support to increase the flows of private foreign investment (see also Topic 3). The G8 have pledged to assist African governments to deepen and strengthen capital markets. At L'Aquila in 2009, the G8 adopted the goal of reducing the global average costs of transferring remittances from 10% to 5% in five years (known as the 5X5 Objective). In its 2010 Multi-Year Action Plan on Development, the G20 emphasised the importance of maximising economic value-added and job creation arising from private sector investment and of increasing the efficiency of international remittances.

What has been done to deliver on these commitments?

Africa: In the context of global competition for foreign investments, many African countries have put in place policy incentives to attract FDI. According to the World Bank's Doing Business Indicators, 60 per cent of African countries implemented at least one business-climate reform in 2010. Africa has concluded over 700 bilateral investment treaties. Significant financial sector reforms have been implemented over the past decade.

The African Union has launched the creation of the African Remittances Institute to help build capacity to develop and implement concrete strategies and operational instruments to use remittances as development tools for poverty reduction.

Development partners: Partners have provided support to strength-

en financial markets and launched initiatives to promote investment in Africa. The NEPAD-OECD Africa Investment Initiative is helping to build capacity to strengthen the investment environment by providing a forum for policy makers and supporting country-led investment reviews and reforms. Over the last few years, they have also helped to develop databases on the cost of remittance transfers.

What results have been achieved?

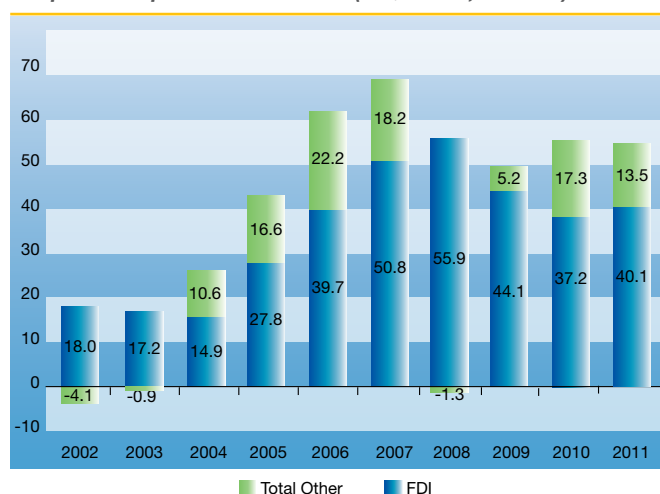
Until the global financial crisis of 2008-09, Africa experienced six consecutive years of growth in private capital inflows which reached a record high of US\$69 billion in 2007. They have been around 20-25% below this level since 2008, at between US\$50-55 billion (both the fall in 2008 and 2009 and the rebound in 2010 now look to have been less sharp than previously estimated, using the latest data). There is significant regional variation: total private capital inflows to SSA are expected to recover in 2011 to the pre-crisis level but flows to North Africa have fallen off sharply reflecting political turmoil in the region. This robust performance was led by foreign direct investment which accounts for 75% of total private inflows into Africa. FDI flows to sub-Saharan Africa reached a record high of US\$35 billion in 2008 and are projected to recover to about US\$32 billion in 2011. But the political developments in North Africa have sharply dampened investor confidence in the short term. As a result, the share of Africa in total global FDI inflows which have declined from 5.1% in 2009 to 4.4% in 2010, are projected to decline further in 2011. Diversification is taking place both in terms of destination and sectors. And although investments in resource extraction activities have traditionally been most important in terms of value, the bulk of new investment projects are in the non-natural resources sectors with infrastructure including telecommunications, finance, tourism, and the retail sector attracting significant interest and potential for value addition. Although relatively modest in size, FDI inflows to Africa are large relative to the economic size of the recipient countries and accounted for more than 20% of total investment in over one-third of SSA countries. They have also helped to raise total domestic investment as a share of GDP by over three percentage points since the early 2000s.

Private flows are projected to recover to the pre-crisis level in sub-Saharan Africa but flows to North Africa are projected to fall off sharply. FDI remains the largest component.



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



Sources: WB Global Development Finance 2011, WB Global Economic Prospects 2011, UNCTAD, World Investment Report 2011.

Portfolio equity flows to Sub Saharan Africa rose by 10 percent in 2010, reaching US\$11 billion encouraged by the recent establishment of a number of Africa-focused private equity funds. Bond flows to the region have also experienced resurgence in 2010-11. Increasingly, foreign investors are participating in local bond markets, notwithstanding the foreign exchange risk.

The environment in which African financial systems operate has changed dramatically. Systemic banking crises have subsided. Credit to the private sector has risen and there has been an increasing trend toward regional integration with many banks rapidly expanding their regional operations. There has been a significant deepening and broadening of access thanks to new technologies. Access to formal banking

services, however, remains severely limited and banking is expensive driven by diseconomies of scale, risk, and lack of competition. But besides legal capital flows, Africa has experienced large illicit financial flows, estimated at over US\$850 billion over the period 1970 to 2008. According to the Washington-based Global Financial Integrity (GFI), illicit financial outflows have increased over time, averaging US\$50 billion in the past decade, and require efforts by both African governments and development partners (see also Topic 12). Trade mispricing through transfer pricing techniques in cross-border activities is believed to be a major conduit (see Topic 14).

With increasing global migration flows, workers' remittances have become an important source of inflows for many African countries. Between 2000 and 2010, remittances to Africa rose more than threefold to US\$40 billion with a more rapid increase for sub-Saharan Africa -- from US\$4.7 to US\$21.5 billion. The increase was also significant, although less rapid, in North Africa, reaching US\$18 billion in 2010. Actual remittances to sub-Saharan Africa are estimated to be much larger if transfers through unofficial channels are included. The cost of remittances has declined somewhat but remains high for transfers to Africa compared to other developing regions. For 13 countries in the region, remittances account for more than 5% of GDP in 2009.

What are the future priority actions?

Africa

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

Development partners

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

Topic **16****DEVELOPMENT ASSISTANCE****Key commitments**

Africa: African governments have committed to exercise effective leadership over their development policies and programmes, strengthen public financial management and be accountable for development results. These commitments were set out in the Paris Declaration on Aid Effectiveness (2005) and reaffirmed in the 2008 Accra Agenda for Action, which called for stronger involvement of parliamentarians and civil society in shaping development policies.

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, G8 countries re-affirmed commitments on ODA, and enhancing aid effectiveness. Some commitments were denominated in GDP. Adjusting for lower GNI in 2010, commitments translate into ODA to Africa of US\$62 billion in 2010, and US\$75 billion in 2015 (in 2009 prices and exchange rates). The latter figure assumes that those countries with no commitment for 2015 maintain ODA to Africa at the 2010 level, without further increase. The calculations are set out in Appendix Box 1. Development partners also made a number of commitments in the Paris Declaration and the Accra Agenda for Action to improve the effectiveness with which they provide aid, particularly in the areas of alignment to countries' policies and systems, harmonization of practices, transparency and predictability. Commitments have been made to develop innovative financing mechanisms, to increase lending by the IMF and multilateral development banks and to provide additional trade liquidity.

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 ownership and leadership of their development programmes. Thirteen countries (out of 29 for which data are available) have improved the quality of their national development strategies since 2005, and several have com-

pleted 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 in policy processes remain limited.

Development partners: Aid volume commitments were not met in 2010. Total ODA increased to US\$129 billion in 2010 (2010 prices), an increase of US\$49 billion over the 2004 level. Although the highest real ODA level ever, this was still significantly below the level implied by 2005 commitments, around US\$149 billion in 2010 prices. Moreover, Africa received around a third of the global increase since 2004, or around US\$16.5 billion, compared to the 50% assumed in 2005. On aid effectiveness, global progress was insufficient to meet most of the targets set in the Paris Declaration. According to the 2011 OECD Report on Progress in implementing the Paris Declaration, only one out of the 13 targets for which data was available were achieved in 2010 by a narrow margin: the target for co-ordinated technical co-operation, which measures the extent to which donors provide aid in support of countries' capacity development objectives. Donors are using partner country public financial management and procurement systems more than in 2005, but not to the extent foreseen in Paris. Donors are not systematically making greater use of country systems where these are more reliable. Survey data also show that donor performance has been particularly poor in African fragile states, potentially undermining limited government capacities.

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

The IMF, World Bank and AfDB all stepped up lending in 2009-10 in response to the crisis and in line with commitments, though this has now returned to more normal pre-crisis levels. The level of outstanding credit granted by the IMF to African countries increased from 0.8 billion to 1.6 billion Special Drawing Rights between the end of 2008 and mid-

Commitments made in 2005 on aid volume were not met in 2010. Commitments on aid effectiveness have been only partially met. Progress towards meeting 2015 commitments needs to be accelerated and monitored.



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2011, marking a slight decline in 2010. Commitments of the World Bank Group to sub-Saharan African countries amounted to US\$9.4 billion in FY11 (ending June 30, 2011), down from crisis levels of US\$13.85 billion in FY10 and US\$9.9 billion in FY09. Credit approvals made by the African Development Bank Group totalled US\$6.3 billion in 2010, which is a marked decline from the record level of US\$12.7 billion in 2009.

What results have been achieved?

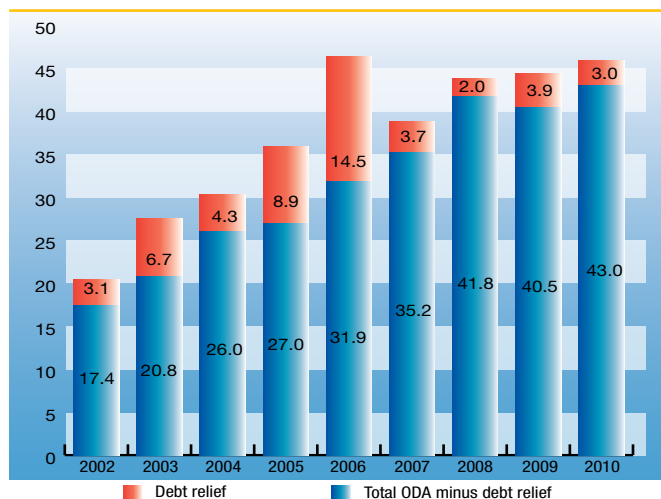
On aid volume, although ODA to Africa rose from US\$29.5 billion in 2004 to an estimated record level of US\$46 billion in 2010 (equivalent to around US\$40 billion in 2004 prices), this figure was still significantly below the figure of around US\$64 billion in 2010 prices implied by 2005 commitments. It represented around 70% of what Africa would have received had the commitments been met in full. In practice, Africa re-

ceived only around half of the increase implied by the 2005 commitments. About half of the shortfall is due to lower global ODA compared to commitments; the other half is due to Africa's lower-than-anticipated share of the increase - about 34% instead of the 50% assumed in 2005. Africa's share of global ODA has stayed between 30 and 36% since 2000 (excepting the temporary increases from exceptional debt relief).

On aid effectiveness, there are inevitable time-lags between improvements in aid delivery and final outcomes. There are also other factors - including domestic policy and development partners' non aid policies - that influence final outcomes. At the same time, country evaluations indicate that where progress was made towards the Paris and Accra targets, it is likely to have led to improved . Two thirds of the 21 countries evaluated globally showed good evidence that efforts to improve aid effectiveness had led to a better contribution of aid to development outcomes in the health sector.

Innovative financing mechanisms had generated more than US\$6 billion in the health sector by end-2010. Increased lending by the IMF, World Bank and AfDB over 2009-10 is likely to have played a part in helping countries to mitigate the effects of the crisis, and accelerate recovery.

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



Source: OECD/DAC.

What are the future priority actions?

Africa

- Exercise effective leadership and develop capacity in co-ordinating and harmonising donor activities;
- Develop country-level frameworks for monitoring results in terms of aid effectiveness;
- Strengthen public financial management and procurement systems.

Development partners

- Set out a clear and monitorable timeline for meeting those commitments which have been made on ODA to Africa in 2015;
- Where there are no such commitments - as a minimum, maintain ODA to Africa at 2010 levels;
- Significantly accelerate efforts to implement the Paris Declaration on aid effectiveness, particularly with regard to the use of country systems, avoidance of parallel structures, and harmonization among donors.

Topic 17

EXTERNAL DEBT

Key commitments

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

Development partners: The Monterrey Consensus called for a speedy, effective and full implementation of the enhanced Heavily Indebted Poor Countries (HIPC) initiative and increased international cooperation for sustainable debt financing. In 2005 at Gleneagles, G8 countries further committed, through the Multilateral Debt Relief Initiative (MDRI), to cancel 100% of outstanding debts of eligible HIPCs to the IMF, the World Bank International Development Agency (IDA) and the African Development Fund (AfDF), and to provide additional resources to ensure that the financing capacity of the above institutions is not reduced. Recognising significant improvement in key debt sustainability indicators, the 2008 Doha Financing for Development Conference stressed the need to avoid a recurrence of unsustainable levels of debt. The G8/Africa Joint Declaration adopted at the G8 summit of Deauville in May 2011 reiterated the call to preserve debt sustainability in Africa.

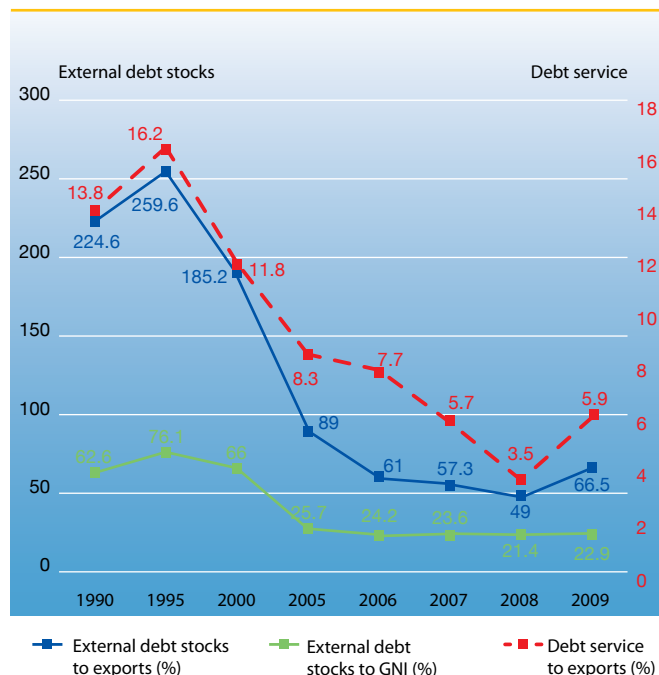
What has been done to deliver on these commitments?

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

Development partners: The HIPC and MDRI Initiatives have made substantial progress. To help countries avoid lawsuits by creditors who do not participate in the HIPC process, the World Bank and other donors have helped countries buy back commercial debt at a steep discount, thus clearing debt not covered by the HIPC Initiative. The World Bank

and the IMF have developed a Debt Sustainability Framework (DSF), periodically reviewed since its establishment in 2005, to regularly assess the debt sustainability of eligible countries based on debt burden indicators. Under the Evian approach, development partners have also taken action to deal with debt problems of non-HIPC African countries including partial write-off. However, there remain financing shortfalls to the World Bank and the African Development Fund as additional contributions by bilateral donors do not fully compensate the foregone revenue from debt

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



Source: World Bank Global Development Finance (2011).

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



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cancellation. Similarly, resources available for the IMF are currently insufficient to finance the cost of debt relief to all countries that meet the initial conditions. This has undermined the sustainability of the debt relief effort.

In order to improve debt management, the OECD and South Africa have set up the first African sovereign debt management centre (2011), 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 34 eligible African countries, 30 have benefited from debt relief to date. Within this group, those reaching the HIPC post-completion point, allowing access to irrevocable debt relief and 100% debt cancellation under the MDRI, has risen from 24 to 26. Over US\$10 billion of external commercial debt has also been written off in 22 low income countries since the creation of the Debt Reduction Facility in 1989.

The total debt relief effort for all HIPCs amounted to US\$107.4 bn (net present value) at the end of 2010, US\$76.6 billion under the HIPC initiative and US\$30.8 billion under the MDRI. Sub-Saharan Africa's external debt burden has declined dramatically as a direct result of these initiatives, from 65% to 21% of GDP over 2000–2010. As a share of export earnings, debt service payments have fallen sharply, from an average of about 31% in 2000 to less than 16% in 2010. These cuts have provided more fiscal space for poverty reduction. Before the HIPC Initiative, eligible countries were, on average, spending slightly more on debt service than on health and education combined. Now, spending on health, education and other social services is about five times the levels of debt servicing.

Nevertheless, several challenges remain:

- The 3 African countries yet to benefit from temporary or permanent debt relief require renewed international assistance to strengthen domestic policies and institutions in order to meet qualifying criteria.
- Co-coordinating all creditors, including smaller multilateral creditors, non-Paris Club bilateral official creditors and private creditors - which together account about 25% of HIPC - for comprehensive debt relief also remains a challenge. Non-Paris Club bilateral creditors, which have delivered close to 40 percent of their share of HIPC Initiative debt relief, have

not delivered any relief for half of them. Support to debtor countries to buy back their commercial debts has reduced, but not totally eliminated, remaining claims on HIPCs.

- There may be the need on a case-by-case basis to consider debt relief or restructuring for developing countries with an unsustainable debt burden that are not part of the HIPC Initiative.

Lastly, some African economies face difficulties in achieving sustainable debt management. Following the economic crisis, debt ratios have worsened in 2009, leading to a reversal of the advances achieved during the 2000-2008 period. Reduced external financing has also forced a number of countries to increase domestic debt, mostly short term debt, to address widening fiscal financing gaps (see also Topics 1, 14 and 15). This has undermined debt sustainability efforts: 9 of the 26 African countries that have benefited from HIPC and MDRI debt relief are again experiencing, or are at high risk of experiencing, debt distress. In the absence of a longer-term, comprehensive mechanism to reduce a country's exposure to its creditors, the outlook of such countries is uncertain, and the need for future debt relief measures cannot be ruled out.

What are the future priority actions?

Africa

- Sustain efforts to enhance debt management and sustainability, including domestic debt;
- Improve the monitoring and statistical coverage of data on domestic debt;
- For the remaining 7 African pre-HIPC completion countries, sustain efforts to reach completion.

Development partners

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

Topic 18

CLIMATE FINANCE

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

Key commitments

Africa: The African Ministerial Conference on the Environment at the Special Session on Climate Change (Nairobi, 2009) urged that the financial resources for climate change should be new and additional, adequate, predictable, sustainable and provided primarily in the form of grants. African Ministers attending the Cancun Conference of the Parties (COP 16) in 2010 called the early establishment of an Africa Green Fund.

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

What has been done to deliver on these commitments?

Africa: As part of the preparation for climate negotiations, Africa has commissioned studies on financing requirements by the continent to address climate change challenges and has organised a side event in Cancun to discuss the African Green Fund.

Development partners: Under the aegis of the UNFCCC, three funds have been established: (1) the Least Developed Countries Fund (LDCF) with US\$290 million pledged to date to help least-developed countries prepare and implement national adaptation programs of action; (2) the Special Climate Change Fund (SCCF), with US\$169 million pledged to support adaptation and mitigation projects in all developing countries; and (3) the Adaptation Fund (AF) with resources coming primarily from a 2% levy on proceeds issued to Clean Development Mechanism (CDM) projects; cumulative receipts as of January 2011 amount to US\$224 mil-

lion including US\$85 million of donations by several European countries and Japan. It is estimated that the Fund could mobilise about US\$350 million in the remaining two years of the first commitment period of the Kyoto Protocol (2011-12). In addition, the Global Environment Facility (GEF) has used contributions to the GEF Trust Fund to support climate-related projects. To help expand the CDM, the African Development Bank recently launched the Africa Carbon Support Programme (ACSP) to promote CDM activities, working jointly with other partners.

Much larger funding initiatives have been set up outside of the UNFCCC. Most noteworthy are the Climate Investment Funds (CIF), a pair of funds to help developing countries pilot low-emissions and climate-resilient development. The CIF are channeled through the World Bank Group and the four regional development banks. The CIFs have received pledges of US\$6.4 billion from 13 donors, of which US\$680 million has been paid in. As of September 2010 donors have pledged \$972 million with \$614 million as grant resources. A number of specialized funds, including from bilateral sources, have been established to reduce emissions from deforestation and forest degradation and to promote energy efficiency and renewable resources (see also Topics 5 and 6).

Fast Start Funding: Most countries committing to the Copenhagen Accord have announced detailed pledges, with many outlining how and through which mechanisms assistance will be delivered. Total pledges now amount to US\$29.3 billion most of which from public sources. However, pledges from some donors may in fact represent reallocation of funds that were already committed to the environmental and development budget.

Longer-Term Funding: To scale up the provision of long-term financing for developing countries, industrialised countries commit to jointly mobilize US\$100 billion per year by 2020 through a mix of public and private finance. The new fund will support projects, programmes, policies and other activities in developing countries using thematic funding windows. The fund will be governed by a Green Climate Fund Board, comprising 24 members with equal representation from developing and developed countries.

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



UN Photo/Evan Schneider

What results have been achieved?

Results have not been impressive to date, and climate financing faces a series of challenges. Firstly, disbursements relative to needs are off track by orders of magnitude. Established in 2001, the 2 GEF-managed climate funds for developing countries have disbursed a total of US\$52.6 million of which about 30% to Africa. Since the Adaptation Fund became operational in 2010, a total of US\$24 million have been approved for 4 projects including one for Africa of the amount of US\$8.6 million. Consolidated data on disbursements of the Fast Start funds are not yet available. With CIF support, 45 developing countries are piloting transformations in clean technology, sustainable management of forests, increased energy access through renewable energy, and climate-resilient development. Twelve countries have submitted phase one proposals and \$411 million have been approved.

Secondly, there are significant challenges concerning the structure, governance and allocation of existing climate funding mechanisms. Most common among developing country concerns are the disproportionately

larger role of developed countries in decisions on allocations and disbursements. Recent UNFCCC discussions have made some progress on climate financing governance.

Thirdly, Africa's access to carbon finance has been marginal but is slowly improving. The CDM, a major catalyst of low-carbon investments in developing countries, with US\$2.7 billion in sales of emissions credits in developing countries, with US\$2.7 billion in sales of emissions credits in developing countries, with US\$2.7 billion in sales of emissions credits in developing countries had declined sharply in 2008-09 --, has so far been insignificant for Africa. But recent information shows an upward trend: as of February 2011, 23 African countries had submitted a total of 156 CDM projects accounting for 2.6% of all CDM projects, a 35% increase over the previous 12 months.

What are the future priority actions?

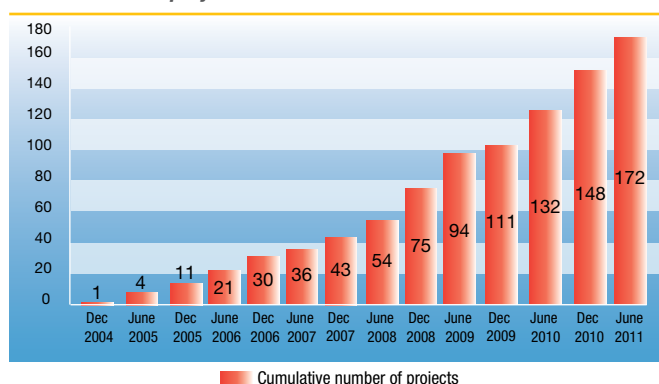
Africa

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

Development partners

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

Number of CDM projects in Africa



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



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

Image taken by Heide Fahrberger (www.heide.at) using a Nikon D100.

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Africa's share of world's poor

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Regional integration

Illicit financial flows

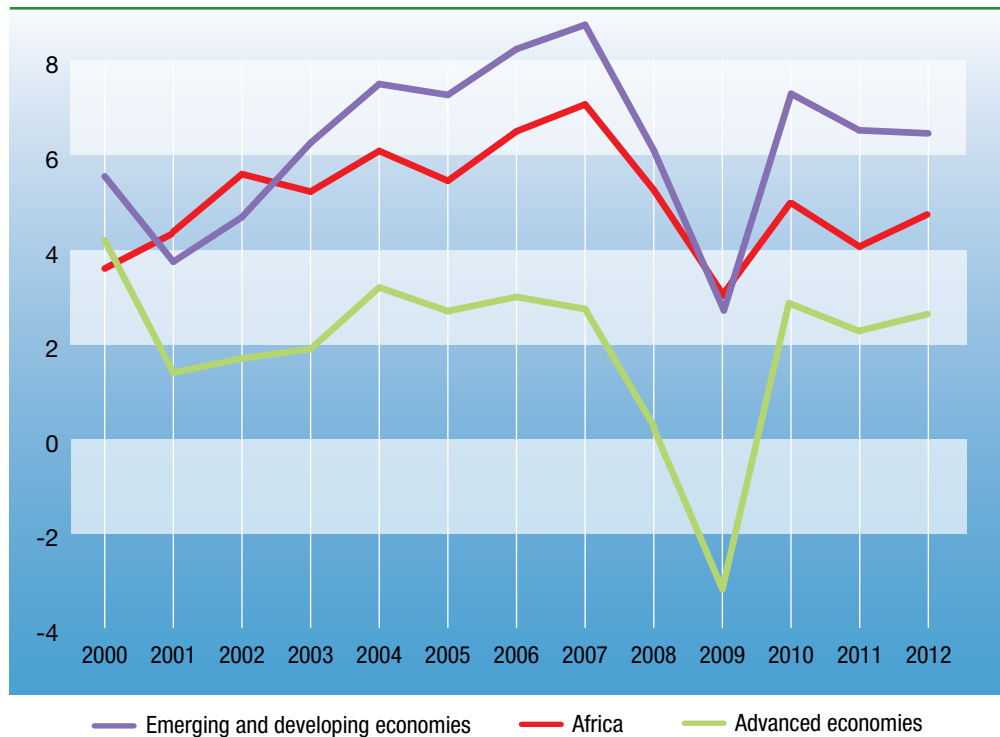
References

Acronyms

Acknowledgements

CHARTS & FIGURES

Real GDP Growth











Real GDP Growth	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Emerging and developing economies	5.78	3.71	4.69	6.25	7.53	7.28	8.24	8.80	6.06	2.72	7.25	6.54	6.49
Africa	3.77	4.34	5.61	5.23	6.07	5.76	6.25	6.59	5.36	3.08	5.00	4.09	4.75
Advanced economies	4.19	1.42	1.73	1.94	3.15	2.67	3.03	2.73	.22	-3.36	2.97	2.38	2.58

Source: WEO September 2011 and calculations using WEO data.

Millennium Development Goals: progress at 2011

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

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

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

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

Source: Department of Economic and Social Affairs, United Nations, 2011.

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Domestic revenue	141.4	190.0	227.6	289.5	340.8	390.7	505.3	389.6	465.0	521.2
Private flows	13.9	16.3	25.5	44.4	61.9	69.0	54.6	49.3	54.5	53.6
ODA*	20.4	27.5	30.4	35.9	46.4	38.9	43.7	44.4	46.0	
Total	175.8	228.8	283.5	369.7	449.1	498.5	603.6	483.3	565.5	

North Africa

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Domestic revenue	67.8	77.8	90.1	116.0	137.2	161.2	228.2	175.3	194.3	190.3
Private flows	2.1	3.1	3.8	10.4	7.5	18.2	20.2	13.4	13.4	5.0
ODA*	2.3	2.4	3.4	2.8	3.0	3.6	3.8	3.9	4.0	
Total	72.2	83.3	97.3	129.2	147.7	183.0	252.2	192.6	211.7	

Sub-Saharan Africa

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Domestic revenue	73.6	112.2	137.5	173.4	203.6	229.4	277.1	214.3	270.8	330.9
Private flows	11.8	13.2	21.7	34.0	44.4	50.7	34.4	35.9	41.1	48.6
ODA*	18.1	25.1	27.0	33.1	43.4	35.3	39.9	40.5	42.0	
Total	103.5	150.6	186.1	240.5	291.4	315.4	351.4	290.6	353.9	

*Unallocated ODA (shown in the Development Assistance table below), which reflects regional projects or programmes, is split between sub-Saharan Africa and North Africa in this table. Sources: IMF World Economic Outlook database (September 2011); OECD-DAC International Development Statistics database; World Bank Global Development Finance (2011); World Bank Global Economic Prospects (2011).

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
FDI	18.0	17.2	14.9	27.8	39.7	50.8	55.9	44.1	37.2	40.1
Other flows	-4.1	-0.9	10.6	16.6	22.2	18.2	-1.3	5.2	17.3	13.5
Total	13.9	16.3	25.5	44.4	61.9	69.0	54.6	49.3	54.5	53.6

North Africa

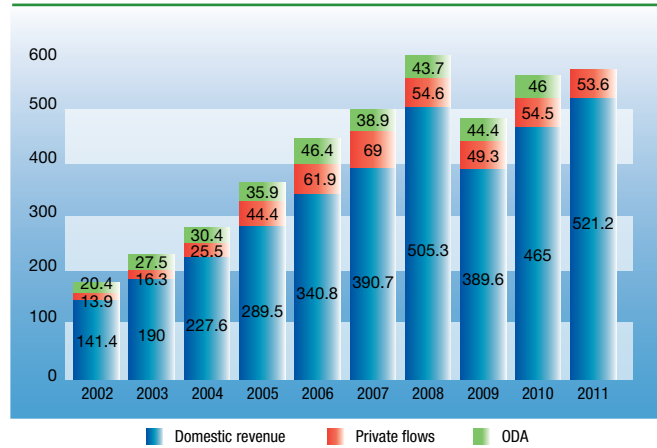
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
FDI	2.8	3.9	3.9	9.8	19.5	22.3	21.4	13.8	13.4	8.0
Other flows	-0.7	-0.8	-0.1	0.6	-2.0	-4.1	-1.2	-0.4	0.0	-3.0
Total	2.1	3.1	3.8	10.4	7.5	18.2	20.2	13.4	13.4	5.0

Sub-Saharan Africa

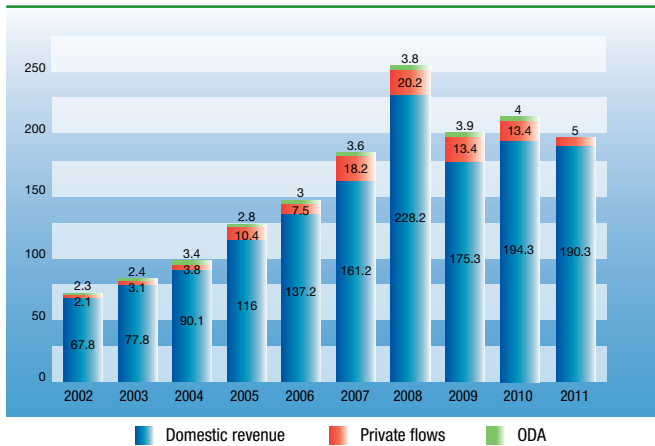
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
FDI	15.2	13.3	11.0	18.0	20.2	28.5	34.5	30.3	23.8	32.1
Other flows	-3.4	-0.1	10.7	16.0	24.2	22.2	-0.1	5.6	17.3	16.5
Total	11.8	13.2	21.7	34.0	44.4	50.7	34.4	35.9	41.1	48.6

Source: WB Global Development Finance 2011, WB Global Economic Prospects 2011, UNCTAD, World Investment Report 2011.

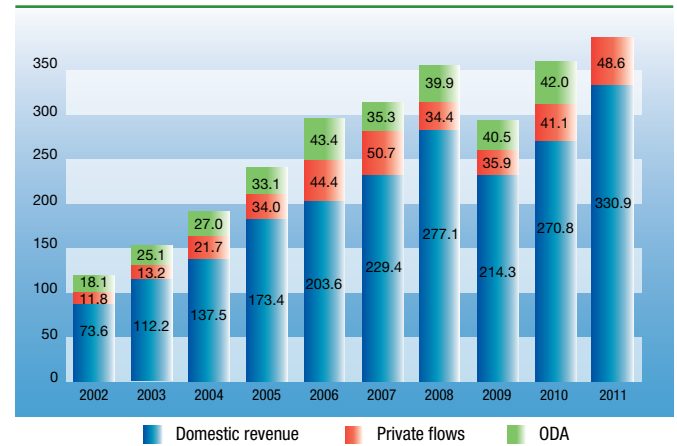
Development finance to Africa (US\$ billion)



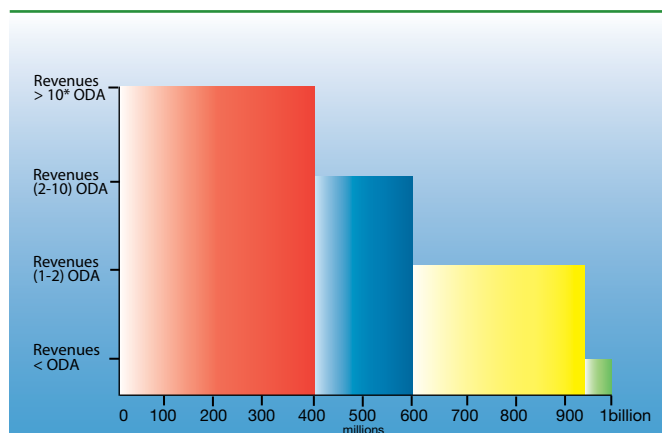
Development finance to North Africa (US\$ billion)



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



Sources: IMF World Economic Outlook database (April 2011); OECD-DAC International Development Statistics database; World Bank Global Development Finance (2011); World Bank Global Economic Prospects (2011).

Public revenues/ODA: distribution of African population

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

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

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

Region or country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
South of Sahara	14.1	14.2	17.7	24.7	26.5	32.5	42.8	34.3	39.0	39.2	42.0
North of Sahara	2.3	2.3	2.1	2.2	3.1	2.5	2.7	3.1	3.3	2.9	4.0
Africa, unallocated	0.8	0.5	0.6	0.7	0.8	0.8	0.8	1.4	1.5	2.3	N/A
Total Africa	17.2	17.0	20.4	27.5	30.4	35.9	46.4	38.9	43.7	44.4	46.0
Debt relief (bilateral)	1.1	1.3	3.1	6.7	4.3	8.9	14.5	3.7	2.0	3.9	3.0
Total ODA minus debt relief	16.1	15.7	17.4	20.8	26.0	27.0	31.9	35.2	41.8	40.5	43.0

Percentage

Share of Africa (%)	32.6	32.6	35.5	40.1	38.4	33.4	44.3	37.7	36.1	37.4	35.7
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For reference

Global ODA (US\$ billions)	54.0	52.7	58.6	69.4	79.9	107.8	104.8	104.2	122.0	119.8	128.7
ODA/GNI (%)	0.22	0.22	0.23	0.24	0.25	0.32	0.30	0.27	0.30	0.31	0.32

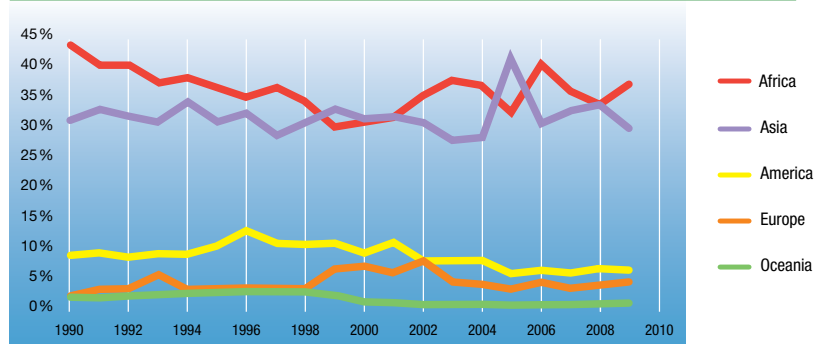
Source: OECD-DAC, International Development Statistics database.

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

	2002	2003	2004	2005	2006	2007	2008	2009
SOCIAL								
Education	1,606	2,486	2,917	2,722	3,137	3,970	3,965	4,509
Health	1,005	1,406	1,838	2,202	2,622	2,865	3,577	3,937
Population and reproductive health	552	1,004	1,587	1,906	2,279	3,137	4,308	4,444
Water supply and sanitation	565	769	1,115	1,290	1,411	1,642	1,908	2,092
Government and civil society	1,428	1,784	2,230	2,807	3,215	4,086	4,452	4,299
Other social infrastructure and services	645	822	910	1,214	1,220	1,545	1,584	1,266
Total social	5,801	8,272	10,598	12,141	13,885	17,245	19,793	20,547
ECONOMIC								
Transport communications	1,036	1,272	1,620	1,900	2,091	2,538	2,947	2,959
Energy	986	458	555	651	783	1,045	1,426	1,753
Banking, business and other services	722	509	562	505	573	1,245	1,794	2,219
Total economic	2,144	2,239	3,136	3,146	3,447	4,828	6,167	6,931
PRODUCTION								
Agriculture, forestry and fishing	823	1,068	1,197	1,335	1,476	1,816	2,084	2,915
Industry, mining and construction	455	291	353	471	440	491	459	559
Trade and tourism	430	269	164	241	146	346	281	392
Total production	1,708	1,629	1,714	2,047	2,062	2,663	2,825	3,866
MULTISECTOR								
GENERAL PROGRAMME AID	3,010	2,250	2,794	2,924	3,292	3,958	5,050	6,705
DEBT	4,094	7,839	7,148	11,328	52,701	6,043	3,719	6,346
HUMANITARIAN	1,135	2,350	2,648	4,138	3,898	3,914	5,517	5,053
OTHERS	1,685	1,211	1,263	1,750	973	756	1,027	575
Total	20,497	26,891	30,589	38,890	81,999	41,462	46,366	52,315

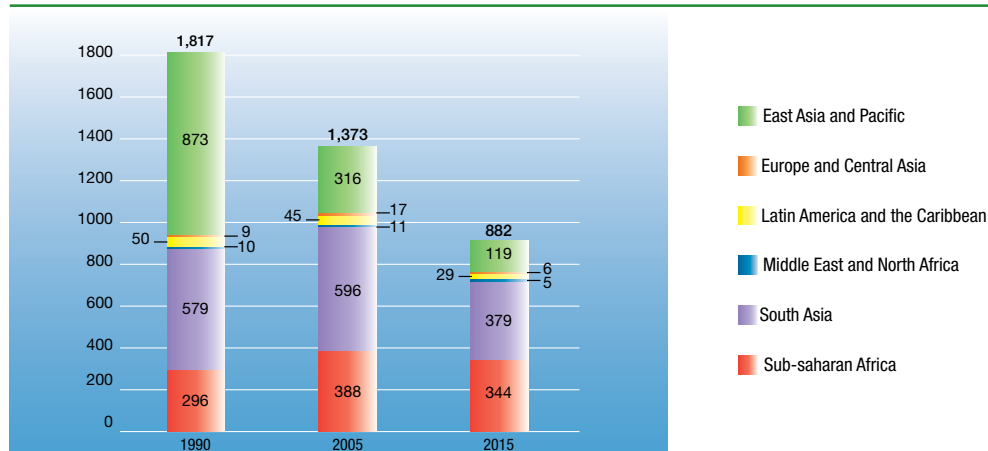
The total figure shown in this table refers to the total gross amounts disbursed by all donors for each year. They differ from the total figure shown in the development finance and development assistance overview tables, which shows total net ODA amounts disbursed (less repayments of loan principal during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

Regional shares of net total ODA



Source:
OECD Development Aid at a Glance, 2011:
Statistics by region.

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



Region or country	1990	2005	2015	1990	2005	2015
	Percentage of the population living on less than \$1.25 a day			Number of people living on less than \$1.25 a day (millions)		
East Asia and Pacific	54.7	16.8	5.9	873.3	316.2	119.0
<i>of which China</i>	60.2	15.9	4.8	683.2	207.7	66.1
Europe and Central Asia	2.0	3.7	1.2	9.1	17.3	5.8
Latin America and the Caribbean	11.3	8.2	4.7	49.6	45.1	29.1
Middle East and North Africa	4.3	3.6	1.3	9.7	11.0	4.8
South Asia	51.7	40.3	22.4	579.2	595.6	379.3
<i>of which India</i>	51.3	41.6	22.4	435.5	455.8	276.8
sub-Saharan Africa	57.6	50.9	35.8	295.7	388.4	344.7
Total	41.7	25.2	14.4	1,816.6	1,373.5	882.7

Source:
IBRD/World Bank, 2011.
Global Monitoring Report.

BOXES

1. CALCULATION OF ODA LEVELS TO AFRICA IN 2015

The calculations below are based on

- (i) Existing commitments, where these have been made as in the case of DAC EU countries;
- (ii) An assumption that ODA levels to Africa remain at the 2009 level, where there is no commitment beyond this as in the case of other DAC countries

1. DAC-EU Countries:

- In 2005, EU Member States undertook to achieve the target of an ODA/GNI ratio of 0,7% by 2015, while those which have achieved that target committed themselves to remaining above that target; Member States which joined the EU after 2002 agreed to endeavour to increase their ODA/GNI ratio to 0,33% by 2015;
- The European Council also reaffirmed the European Union's intention of increasing its financial assistance for sub-saharan Africa by collectively allocating at least 50% of the agreed increase in ODA resources to the African continent, respecting the priorities of the various Member States;
- Total ODA by EU donors is expected to be USD 120.8 billion in

2015 (based on 0.7% of the projected GNI and assuming a 2% annual growth rate between 2010 and 2015)

- This represents an increase of USD 70.8 billion compared to EU ODA in 2004
- Half of this increase is USD 35.4 billion
- EU ODA to Africa in 2004 was USD 23.7 billion
- Total projected ODA to Africa by EU countries in 2015 would therefore be about USD 59.1 billion (i.e. the 2004 level of USD 23.7 billion plus the projected USD 35.4 billion)

2. Other DAC countries:

- Other DAC countries' total ODA to Africa in 2009 was USD 16.1 billion

3. Total ODA to Africa in 2015 from DAC EU and other DAC countries:

- Assuming the level of ODA remains the same for other DAC countries in 2015 as it was in 2009 (latest data available), then total projected ODA to Africa in 2015 would be USD 75.2 billion (i.e. USD 59.1 billion plus USD 16.1 billion).

All figures in 2009 prices and exchange rates. Source: OECD, DAC Secretariat.

2. REGIONAL INTEGRATION

Regional integration has continued to occupy centre stage in the agendas of African leaders and has remained an imperative survival strategy for the continent. The establishment of the African Union and the range of new institutional arrangements that accompanied it have given additional impetus to regional integration.

Africa's RECs have retained their status as the pillars of the envisaged African common market defined in the Abuja Treaty. The RECs have an important role to play in helping to promote economic growth and development. Closer regional economic integration creates bigger markets, increased trade competitiveness, and attractiveness to both domestic and foreign investment.

African countries and their RECs have continued to pursue integration along a systemic continuum of free trade, customs unions and common markets. Although some RECs have recorded significant progress towards the implementation of the various phases of the Abuja Treaty, they have continued to suffer from the effects of multiple membership and overlapping mandates. The rationalization of RECs and inter-RECs harmonization has therefore been an important area for policy action, including through the adoption of the Minimum Integration Programme (MIP) in 2009. The MIP focuses on free movement of persons, goods, services and capital; peace and security; energy and infrastructure; agriculture; trade; industry; and investment.

Despite efforts to revise and dismantle trade restrictions, the realization of the full benefits of sub-regional and market integration have continued to be hampered by the lack of complementarities among African economies, and intra-African trade, at around 10-12%, has continued to be lower than in other regions.

The underdeveloped state of Africa's infrastructure is an obstacle to its integration efforts, and development of regional infrastructure has emerged as a priority area, particularly to address the challenges of landlocked countries. A better-connected Africa, internally and with the rest of the world, will create larger markets and help achieve the MDGs. Efforts have been made to boost coherent programmes in the areas of energy, transport and communication in accordance with established priorities.

Inter-regional coordination and cooperative infrastructure development has been identified as a priority among RECs. In this regard, the emergent cooperation among COMESA, EAC and SADC within the framework of the Tripartite Agreement concluded in 2008 is an excellent model that needs to be replicated.

Source: UNECA Assessing Regional Integration in Africa IV, 2010

3. ILLICIT FINANCIAL FLOWS

What do we mean by illicit flows?

They comprise cross-border movements of funds that are: i) earned through illegal activities such as corruption and criminal activities; ii) illegally transferred including funds that are legally earned for the purpose of evading taxes or; iii) destined for an illegal use such as terrorist financing. The movement of such type of money is made with clear intention to make it disappear from any records in the country of origin.

What do we know of the scale?

Total illicit flows from Africa are estimated at US\$850 billion over the period 1970-2008 and have increased over time over the past decade. Worldwide, tax evasion is estimated to account for 60 to 65% of all illicit flows; 30 to 35% is attributed to criminal activities and 3% to bribery and theft by government officials.

What is being done to tackle illicit flows?

A number of instruments are available to promote international co-operation to help: i) stem illegal earnings at their source through anti-bribery and anti-corruption conventions and the fight against the illegal trade in natural resources; ii) make the act of transfer more difficult by combating money laundering and tax-avoiding practices through the promotion of information exchange for tax purposes and guidelines to protect countries

against the artificial shifting of profits at multinational enterprises (MNEs) to low-tax jurisdictions; and iii) identifying and returning illegally transferred funds at their destination, also referred to as asset recovery.

What needs to happen next?

Africa's response is guided and motivated by the appreciation of the magnitude and the impact of the Illicit Financial Flows from the continent. Addressing this problem requires concerted effort by both African nations and their partners. Increasing transparency in the global financial system is critical. More systematic enforcement of the various conventions and guidelines and regular review of progress (such as by the G20) in the implementation of standards of transparency on tax-related issues is needed to sustain process. Lastly, the provision of technical assistance to developing countries, particularly on issues relating to transfer pricing, is essential. Throughout the last 2 years Africa has been engaging in an elaborate process to address this problem. The 4th Joint Annual Conference of The AU and UNECA African Ministers of Finance, Planning and Economic Development held in Addis Ababa in March 2011, passed a resolution to establish a High Level Panel on Illicit Financial flows from Africa to be hosted by UNECA. The constitution of such Panel is in an advance stage and expected to be inaugurated in October 2011.

Source: Kar, Dev and D. Cartwright-Smith Global Financial Integrity (2010), Illicit Financial Flows from Africa: Hidden Resource for Development, Global Financial Integrity, Washington, D.C. http://www.gfip.org/storage/gfip/documents/reports/gfi_africareport_web.pdf.

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ACRONYMS

ACPC	African Climate Policy Centre
ACSP	Africa Carbon Support Programme
AfDB	African Development Bank
AfDF	African Development Fund
AfT	Aid for Trade
AF	Adaption Fund
AFSI	L'Aquila Food Security Initiative
AGA	African Governance Architecture
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
AUSPCC	AU Convention on Preventing and Combatting Corruption
BITs	Bilateral Investment Treaties
CAADP	Comprehensive African Agricultural Development Programme
CAHOSCC	Conference of African Heads and Governments on Climate Change
CARMMA	Campaign on Accelerated Reduction on Maternal Mortality in Africa
CBD	Convention on Biological Diversity
CDM	Clean Development Mechanism
CEDAW	Convention on the Elimination of all forms of Discrimination against Women
CIF	Climate Investment Funds
CO₂	Carbon Dioxide
COMESA	Common Market for Eastern and Southern Africa
COP	Conference of the Parties
CPIA	World Bank's Country Policy and Institutional Assessment

DAC	Development Assistance Committee
DTCs	Developing and Transition Countries
EAC	East African Community
EASSy	East Africa Submarine Cable System
ECOWAN	ECOWAS Wide Area Network
ECOWAS	Economic Community of West African States
EDF	European Development Fund
EFA	Education for All
EISA	Electoral Institute for the Sustainability of Democracy in Africa
EITI	Extractive Industries Transparency Initiative
EPI	Environmental Performance Indicator
EU	European Union
FAO	Food and Agriculture Organisation
FDI	Foreign Direct Investment
FTA	Free Trade Area
FTI	Fast Track Initiative
G8	Group of Eight
G20	Group of Twenty
GDP	Gross Domestic Product
GEF	Global Environment Facility
GFATM	Global Fund for AIDS, Tuberculosis and Malaria
GHG	Greenhouse gas
GNI	Gross National Income
GPOA	Gender Plan of Action
HIPC	Highly Indebted Poor Country
HIV/AIDS	Human Immunodeficiency Virus/ Acquired Immune Deficiency Syndrome

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

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

ACKNOWLEDGEMENTS

The 2011 Mutual Review of Development Effectiveness Report was jointly prepared by the United Nations Economic Commission for Africa (UNECA) and the Organisation for Economic Co-operation and Development (OECD), under the leadership of Abdalla Hamdok, Director Governance and Public Administration Division at UNECA and David Batt, Director Africa Partnership Forum Support Unit at the OECD.

Technical advisers and lead authors on individual focus issues were trade and diversification (Stephen Karingi/UNECA and Romain Perez/OECD); agriculture (Maurice Tankou/UNECA and Karim Hussein/OECD); infrastructure (Wilfred Lombe, Makane Faye, Marie-Therese Guiebo, Romain Perez and Brian Ngo/OECD); the private sector (Sam Cho, Gamal Ibrahim/UNECA and Romain Perez/OECD); environmental sustainability (Alessandra Sgobbi, Charles Akol, Isatou Gaye/UNECA and Romain Perez and Brian Ngo/OECD); climate change (Youba Sokona/UNECA and Brian Ngo/OECD); education (Adrian Gauci/UNECA and Rosemary Stevenson/OECD); health (Thokozile Ruzvidzo and Maren Jimenez/UNECA and Rosemary Stevenson/OECD); food security (Maurice Tankou/UNECA and Karim Hussein/OECD) gender (Thokozile Ruzvidzo, Omar Ismael Abdourahman /UNECA and Rosemary Stevenson/OECD); political governance (Kojo Busia/UNECA and David Batt /OECD); economic governance (Gonzague Rosalie/UNECA and David Batt/OECD); peace and security (Jalal Abdel-Latif/UNECA and David Batt/OECD); development finance chapters concerning domestic public resources, investment and other private financial flows, development assistance and external debt (Aissatou Gueye and Souleymane Abdallah/UNECA and Romain Perez and Brian Ngo/OECD); and climate change finance (Youba Sokona/UNECA and Brian Ngo/OECD). Overall technical advice on the full report was provided by Brian Ngo (OECD), and Gonzague Rosalie was the focal point from the UNECA side.

The final report was edited by Rosemary Stevenson. Charts and graphics were provided by Lynn Kirk (OECD) who also assisted in design and overall project planning and management.

The UNECA and the OECD are very grateful for the advice they have received from African and international institutions, experts, civil society and private sector representatives in developing this report, including the UN Millennium Campaign (Charles Abugre Akelyira), the Pan African Youth Union Yohannes Mezgebe), the African Development Bank (Lamin G. Barrow), UNDP/Regional Governance Programme (Kevina Power-Njoroge), the African Union Commission (Ndinaye Charumbira), OECD Development Centre (Andrew Mold), Development Initiatives (Charles Lwanga -Ntale), the Africa Progress Panel (Violaine Beix, and Benedikt Franke, formerly APP), who participated in a consultation meeting held in Addis Ababa on 1-2 June. We would also like to thank Ousmane Badiane, Melissa Lambert and Marie Ruel at IFPRI and Kostas Stamoulis and David Dawe from FAO for the data provided on agriculture GDP and food insecurity. We would like to also thank other UNECA and OECD colleagues for their input. UNECA: Said Adejumobi (political and economic governance, and peace and security), Yeshimebet Araya (administrative support), [Joseph Atta-Mensah (regional integration), Daniel Tanoe (regional integration)] Abijah Yeshneh (administrative support), and staff of the Governance and Public Administration Division, Division of Administration, and the Office of the Executive Secretary; OECD: Greg Briner (climate change and climate finance), Helen Mountford (climate change and climate finance), Tamara Levine (Climate Change), Marie-Christine Tremblay (climate change and climate finance), Yasmin Ahmad (development assistance statistics), Carmel Cahill (trade, agriculture and food security), Mary Crane (economic governance), Ben Dickinson (domestic resource mobilisation and economic governance), Jon Lomoy (development assistance), Frans

Lammersen (development assistance), Elizabeth McCall (project planning), Pascal Saint-Amans (domestic resource mobilisation), Henri-Bernard Solignac-Lecomte (domestic resource mobilisation and other issues), Andrzej Suchodolski (development assistance data), Jean Sibiri Zoundi (food security) and the Translation Division.

The design, lay-out and production of the report was managed by Anne Fleming and Laurel Nock (Ad Nova).

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

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This paper and its accompanying annexes may be found on the UNECA website at: www.uneca.org or on the OECD website at www.oecd.org/apf.

The UNECA-OECD 2011 *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
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www.oecd.org

If you require more information about the MRDE please contact:
Francis Ikome fikome@uneca.org or Lynn Kirk lynn.kirk@oecd.org