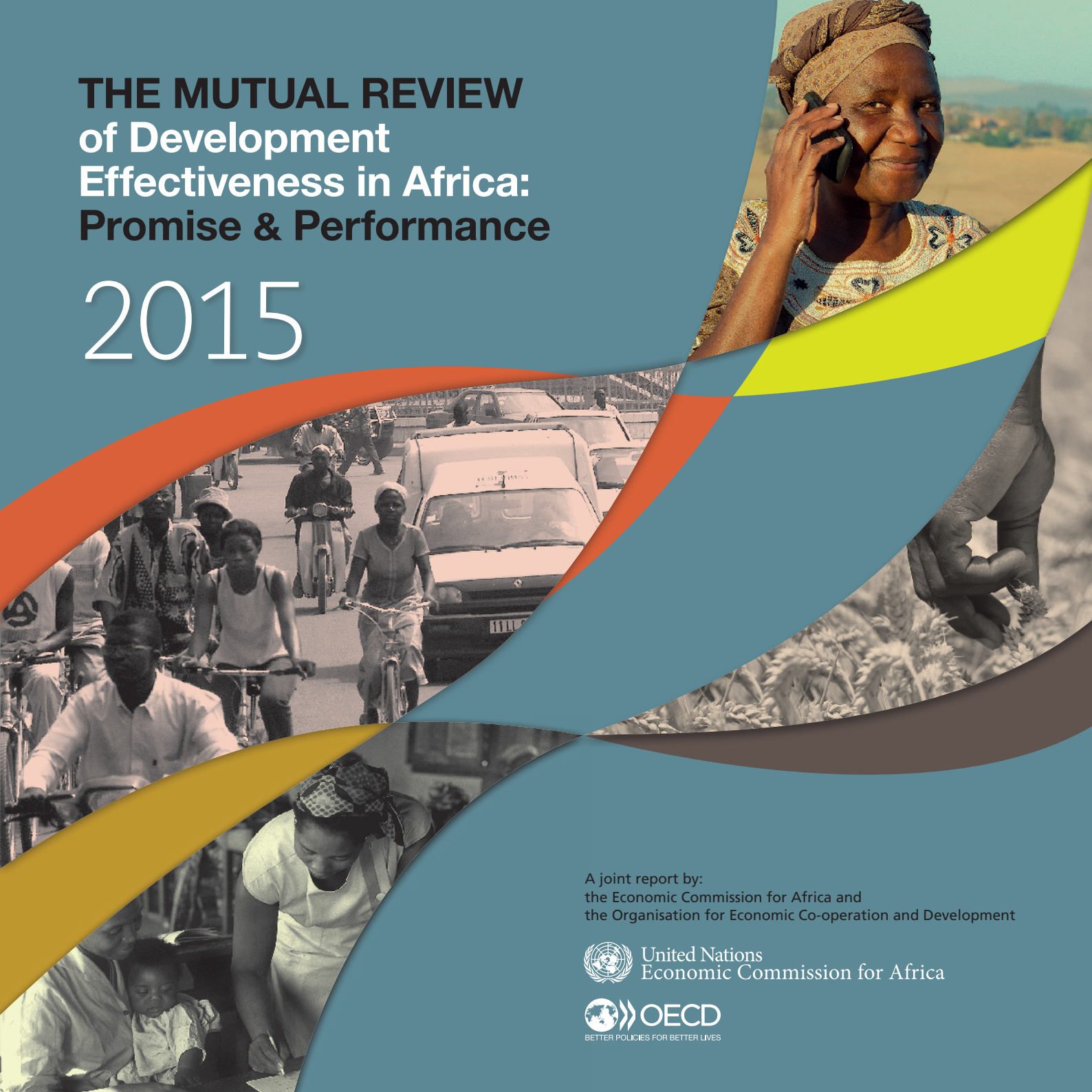


THE MUTUAL REVIEW of Development Effectiveness in Africa: Promise & Performance

2015



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



United Nations
Economic Commission for Africa



OECD

BETTER POLICIES FOR BETTER LIVES

This report has been jointly prepared by the United Nations Economic Commission for Africa (ECA) and the Organisation for Economic Co-operation and Development (OECD).

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THE MUTUAL REVIEW

of Development
Effectiveness in Africa:
Promise & Performance

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PREFACE

Africa continues to maintain relatively robust growth and diversify its trade and investment ties with the rest of the world. Many African governments are delivering sound macroeconomic management and structural reforms. Four of the world's ten fastest growing economies in 2014 were in Africa, contrasting with the weak and uneven growth in many advanced economies. Alongside this growth momentum, African countries have made steady progress on several human development dimensions. Despite important promise, however, significant disparities between and within African countries continue to hamper the continent's regional economic integration. Industrialisation still contributes weakly to Africa's growth. It is the only region to have experienced a decline in exports in 2013. Challenges related to poverty and exclusion persist, generating health, environmental and social risks.

For these reasons, the post-2015 Development Agenda – culminating in Addis, New York and Paris this year – should provide a unique opportunity for African countries to participate in structuring a new global framework for sustainable development and inclusive societies. This framework will hopefully serve as an interconnected negotiation process providing a promising combination for Africa's structural transformation and adaptation to climate change.

In order to maintain the strong progress achieved since 2000 and meet the longer-term challenges, it is important for both African governments and their international partners to meet their development commitments and to monitor and evaluate their results. This is the purpose of this 8th joint Mutual Review of Development Effectiveness in Africa, a unique exercise in mutual accountability undertaken by the United Nations Economic Commission for Africa (ECA) and the Organisation for Economic Co-operation and Development (OECD).

The report is a unique collaborative exercise in mutual accountability, undertaken under a mandate from NEPAD Heads of State and Government. Taking into account the expiry of the Millennium Development Goals (MDGs) and ongoing deliberations on the post-2015 Agenda, the report adopts where possible a longer-term view by reviewing commitments and progress since 2000. Coming almost 15 years after the establishment of the African Union (AU) and the New Partnership for Africa's Development (NEPAD), this 2015 edition covers four broad policy areas: sustainable economic growth, investing in people, good governance and

financing for development. It provides an in-depth review of the implementation of commitments in 19 individual topics and considers future policy priorities. It aims to provide a practical tool for political leaders and policy makers, looking at Africa as a whole, while recognising the remarkable degree of diversity across the continent.

Since 2000, there has been significant progress on the part of African governments in delivering their commitments to improve political and economic governance, increase domestic resource mobilisation as well as improving human development dimensions.

Africa's average gross domestic product (GDP) growth reached 3.9% in 2014 and is expected to strengthen from 4.5% in 2015 to 5% in 2016. Private capital flows to the continent almost doubled over 2005-14, while remittances increased six-fold since 2000 and are estimated to have reached USD 67 billion in 2014. Total government revenue excluding grants has increased by 71% over 2000-14. Closer regional integration is supporting this progress while Africa is experiencing gradual structural transformation. Agriculture, construction and services are playing a stronger role than before while industrialisation – combined with effective and regulated trade policy – could address inclusive growth and hence structurally transform African economies. Africa has also made substantial progress towards the MDGs despite unfavourable initial conditions and regional disparities. It has made further steps in conducting and managing free, fair and transparent elections, as well as in promoting women's political participation and representation.

However, Africa is still facing major challenges. The decreasing contribution of manufacturing to GDP combined with infrastructure bottlenecks have eroded African industrial competitiveness and remain major constraints to growth. Indeed, with two in three Africans lacking access to electricity, the region's urgent energy crisis needs to be addressed. The continent is struggling to gain access to sophisticated global value chains while regional economic integration still lags behind. If increased foreign direct investment and innovative sources of finance provide new opportunities, access to financial markets requires stronger macroeconomic prudence. Illicit financial flows remain a matter of major concern, estimated at USD 50 billion annually. Widespread unemployment, profoundly affecting the youth, contributes to persistent inequalities and poverty. Access to primary education and health services has improved but Africa continues to suffer from significant gender and regional disparities. Africa remains off-track for achieving the MDG hunger target. The continent has also the highest rate of maternal and under-five mortality. Climate change vulnerability poses a growing threat to its

long-term development and key productive sectors. Much remains to be done to ensure the quality and sustainability of growth, boost employment, tackle infrastructure constraints, galvanise the potential of women, offer better prospects to the youth, and accelerate progress on core MDGs, including improving access to clean water and sanitation and reducing maternal and child mortality. In addition, earlier aid commitments from development partners have still not been met in full. Preliminary 2014 figures indicate that bilateral aid to the continent as a whole stood at USD 28 billion, a 5% decrease in real terms from 2013. As aid remains an essential pillar to achieving post-2015 goals, it should be urgently re-oriented to countries most in need.

In this context, the Agenda 2063 Vision and Priorities – as the Africa's transformative agenda and shared vision for next 50 years – and its first ten-year implementation plan are now shaping Africa's long-term strategic vision based on inclusive growth and sustainable development.

Considering Africa's next challenges and ambitions, 2015 will be a turning point for the continent. The Addis Ababa Action Agenda adopted at the Third International Conference on Financing for Development is proposing a comprehensive framework to finance the post-2015 Sustainable Development Goals (SDGs) as well as the launch of new initiatives, including committing to a new social compact, a technology facilitation mechanism and a global infrastructure forum. However, critics have emerged on the agreement, notably for falling short of establishing a global tax body that would give all countries an equal say.

African countries are strongly committed to achieve in New York a new global development framework to succeed the MDGs in accordance with the Common African Position (CAP) on the post-2015 Development Agenda. To participate in achieving Africa's development aspirations, ongoing deliberations on the SDGs should reflect an appropriate balance of development outcomes and enablers, geared towards social inclusiveness and economic transformation.

Finally, at a meeting of the United Nations Climate Change Conference in Paris in December 2015, countries will most likely pledge to reduce greenhouse gas emissions. The African Group of Negotiators could lead a breakthrough in the climate negotiations and help to unlock a new global agreement on climate change. Africa should ensure that the transition to clean energy in the current negotiations also includes ending energy poverty and promoting inclusive societies.

THE MUTUAL REVIEW

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TABLE OF CONTENTS

EXECUTIVE SUMMARY	6
PART I: TOPICS	9
A. Sustainable economic growth	
▪ 1. Industry	10
▪ 2. Trade and diversification	12
▪ 3. Agriculture	14
▪ 4. Infrastructure	16
▪ 5. The private sector	18
▪ 6. Environmental sustainability	20
▪ 7. Climate change	22
B. Investing in people	
▪ 8. Education	24
▪ 9. Health	26
▪ 10. Food security and nutrition	28
▪ 11. Gender equality	30
C. Good governance	
▪ 12. Political governance	32
▪ 13. Economic governance	34
▪ 14. Peace and security	36
D. Financing for development	
▪ 15. Domestic public resources	38
▪ 16. Private financial flows	40
▪ 17. Development assistance	42
▪ 18. External debt	44
▪ 19. Climate finance	46



PART II: ANNEXES.....49

Figures & Tables.....50

■ 1. MRDE selected topics

- Table 1.1. Africa's share of manufactured exports as a percentage of merchandise exports, compared to other developing regions (2000-13)50
- Table 1.2. Share of African merchandise exports in total world trade (%).....50
- Table 1.3. Average ranking of ease of doing business, by regional grouping 201450
- Table 1.4. Trends in selected health indicators in Africa (per 1 000 live births), 1990-201350
- Table 1.5. Number (million) and prevalence (%) of undernourishment in Africa, 1990-201451
- Table 1.6. Average budget balance, 2009-15 (% of GDP).....51
- Table 1.7. Country programmable aid for Africa (USD billion, constant prices).....51

■ 2. Key macroeconomic indicators

- Figure 2.1. Growth in emerging and developing regions, 2010-1652
- Figure 2.2. Real GDP (USD billion, 2005).....52
- Figure 2.3. Development of African and world exports of goods, 2008-14 (USD billion).....52
- Table 2.1. Real GDP growth rates (%)52
- Figure 2.4. Consumer prices in Africa 2002-16 (median inflation in %)53
- Figure 2.5. Overall fiscal balance, including grants (% of GDP)53
- Figure 2.6. Commodity prices, January 2000 – July 2015.....53
- Table 2.2. Debt sustainability analysis53

■ 3. Human development indicators

- Figure 3.1. Population growth in Africa, by age group (million).....54
- Figure 3.2. Number of people living on less than 2005 PPP USD 1.25 a day, by region (million)54
- Figure 3.3. Unemployment rate in Africa (excluding North Africa), as % of labour force category..54
- Table 3.1. Millennium Development Goals: 2015 Progress Chart.....55

■ 4. Development finance

- Table 4.1. External financial flows to Africa (USD million, nominal)56
- Figure 4.1. External financial flows to Africa (USD million, nominal)56
- Figure 4.2. Remittance flows per African sub-region, 2000-15.....56
- Table 4.2. ODA to Africa by sector, gross disbursements (USD million, constant prices 2013)56

Boxes

- Box 1. From the Africa Partnership Forum to the Africa Global Partnership Platform57
- Box 2. Modernising the ODA metric.....58
- Box 3. Impact Investing in Africa59

REFERENCES60

ACRONYMS AND TERMS70

ACKNOWLEDGEMENTS73

EXECUTIVE SUMMARY

The Mutual Review of Development Effectiveness in Africa (MRDE) is an exercise in mutual accountability undertaken jointly by ECA and OECD. The exercise dates from an initial request in November 2002 by the NEPAD Heads of State and Government Implementation Committee, which endorsed the MRDE as an important tool for operationalising mutual accountability for Africa's development. Africa's Ministers of Finance, Planning and Economic Development reaffirmed the value of the exercise in March 2012. The purpose of the MRDE is to assess what has been done by Africa and its international partners to deliver commitments in relation to the continent's development; what results have been achieved; and what the key future priorities are.

The 2015 report follows the same structure as previous reports, divided into four main clusters of issues covering sustainable economic growth, investing in people, good governance and financing for development. However, where possible, the report reviews developments in the above key areas since 2000. Its main findings are outlined below.

Sustainable economic growth

Africa's growth remains steady in aggregate: it increased from 3.5% in 2013 to 3.9% in 2014 and is expected to reach 4.5% in 2015. Growth in African sub-regions remains strong, with Central, East, Southern and West Africa experiencing similar rates. Trade has grown substantially since the financial crisis, but merchandise exports fell in 2013 to USD 603 billion due to declining commodity prices. Africa's export markets have diversified: Europe and North America continue to absorb most of its merchandise exports, but developing countries have dramatically increased their weight (28% to 49% between 2005-13). Africa took two important steps in mid-2015 towards greater regional integration: the signing of the COMESA-EAC-SADC Tripartite Free Trade Agreement and the launch of Continental Free Trade Area negotiations.

There continues to be significant challenges: Current economic growth, while strong, is unable to promote structural transformation of Africa's economies. Industrialisation has contributed little to Africa's recent growth and manufacturing remains stagnant. This has hampered private sector development, which lags behind other regions, despite continued improvements to the business environment. Weak infrastructure impedes investment and regional trade.

Pointing to key priorities, Africa and its international partners will need to accelerate action on agricultural and structural transformation, continue efforts towards regional

integration and removing barriers to intra-regional trade, continue improving the environment for domestic and foreign investment, overcome infrastructure constraints, and achieve successful outcomes in global negotiations on climate change.

Investing in people

Stronger economic performance since 2000 has contributed to remarkable progress towards the Millennium Development Goals (MDGs). The latest 2014 MDG Report on Africa confirms that progress is broadly moving in the right direction although this varies by region and country. Poverty rates and income inequality are continuing to decline. Gender parity in primary education and women's representation in Parliament are increasing. Strong progress has been achieved in reducing child and maternal mortality. Access to safe water is improving and malaria incidence, prevalence and deaths are declining.

Aggregate MDG performance, however, masks major disparities by gender, income group and location in access to high-quality education and health services, and continued concerns on food security driven by limited agricultural investments, climate and regional instability. The pace is insufficient to meet the MDGs of eradicating extreme poverty and hunger, reducing child and maternal mortality and improving access to sanitation.

In terms of key priorities, African countries need to increase public expenditure on social spending, including social protection of vulnerable populations, with emphasis on improving the quality of services; tackle the unequal opportunities and address structural causes of food insecurity.

Good governance

There have been tangible achievements and substantial maturation in advancing democracy and good governance in Africa. Multiparty electoral politics have become the norm, institutions of governance are entrusted with greater independence and media and civil society have become increasingly powerful tools for greater accountability. The AU and regional organisations have taken a strong lead in rejecting unconstitutional action and promoting democratic governments, with strong support from the international community.

However, challenges remain: Several countries are still experiencing armed 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.

The AU and regional organisations should take firm action to restore and maintain peace and stability in conflict-affected regions. They should continue in parallel to promote free and fair elections and broader improvements in political governance, and maintain the ‘zero-tolerance’ approach to unconstitutional change. The wider international community should support African-led efforts in all these areas.

Financing for development

Domestic revenue is by far the major source of financing for development. Africa has made great progress increasing taxation revenues. Total government revenue excluding grants has increased by approximately 70.9% between 2000-14. It reached a new high of over USD 583 billion in 2012, but has declined in the past two years due to weak commodity prices. There has been a significant reduction in the number of countries collecting less than 15% of GDP in domestic public revenue. The High-Level Panel on Illicit Financial Flows from Africa indicated that illicit flows from the continent are estimated at USD 50 billion annually.

Private capital inflows to Africa have almost doubled over 2005-14. Remittances increased six-fold since 2000 and are estimated to have reached USD 67 billion in 2014, constituting the largest source of external resource inflows to Africa since 2010.

ODA trends for Africa are cause for concern in this year of the Third International Conference on Financing for Development. According to DAC preliminary figures, bilateral ODA to Africa as a whole in 2014 was USD 28 billion, a decrease of 5% in real terms from 2013. Progress in delivering the Paris and Accra commitments on aid effectiveness has been slow.

Strong progress has been accomplished in reducing the debt burden of African countries through the Debt Relief under the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI). However, debt composition is changing. Since 2008, Africa’s total external debt stock has risen by 67.3% with most of the build-up accounted for by debts owed to private creditors, including bond holders, which have a shorter maturity and carry higher rates. This brings new risks and more complex and challenging debt management systems.

Access to climate finance remains a key challenge for Africa. Current levels are largely insufficient to meet the continent’s adaptation needs estimated to be at USD 7-15 billion annually by 2020. Fast Start Funding for developing countries has reached USD 35 billion. However, efforts to secure adequate and sustained

funding for climate change and to rationalise and simplify funding mechanisms require concerted actions, and Africa’s access to carbon finance, although improving, remains marginal.

Key priorities include continued action by African governments and its partners to strengthen tax administration and tackle tax avoidance and evasion. Development partners need to reverse the trend of declining ODA to Africa and use the post-2015 goals to re-target ODA towards countries in greatest need. They also need to deliver on Busan commitments on country ownership, alignment, predictability and transparency, and using country systems. Africa and its partners will need to maintain vigilant monitoring of the continent’s debt situation.



PART I

TOPICS

A. Sustainable economic growth

1. Industry
2. Trade and diversification
3. Agriculture
4. Infrastructure
5. The private sector
6. Environmental sustainability
7. Climate change

B. Investing in people

8. Education
9. Health
10. Food security and nutrition
11. Gender equality

C. Good governance

12. Political governance
13. Economic governance
14. Peace and security

D. Financing for development

15. Domestic public resources
16. Private financial flows
17. Development assistance
18. External debt
19. Climate finance

Key commitments

African governments have committed to economic, legal and institutional reforms to improve their business environment and support industrial growth, including by adopting the 2008 Action Plan for the Accelerated Industrial Development of Africa (AIDA), which includes specific actions and measures to promote African industrial development. The Conference of African Ministers of Industry (CAMI) subsequently adopted a strategy for the implementation of the Action Plan, although progress has been limited. In 2013, AU/ECA ministers of finance, planning and economic development called for a strategy of commodity-based industrialisation led by strategic industrial policies. They recommended strategic interventions to insert local firms in regional and global value chains (GVCs), boost local skills and technological capabilities, lift infrastructure bottlenecks, improve policy implementation through better co-ordination among government agencies, and promote intra-African trade and investment.

Development partners have supported industrialisation and structural transformation through a range of sectors, including trade (see Topic 2), infrastructure (see Topic 4), private sector development (see Topics 5 and 16) and agriculture (see Topic 3). The main objectives of the Joint Africa-EU Strategy, first established in 2007 and most recently presented in its 2014-2017 roadmap, are to stimulate economic growth that reduces poverty, promote industrial growth and value addition to raw materials, create decent jobs and mobilise the entrepreneurial potential of people, in particular youth and women, in a sustainable manner. This includes supporting private sector development, small and medium-sized enterprises (SMEs) as well as the continental integration process, notably through accelerated infrastructure development, energy, industrialisation and investment.

What has been done?

Africa: Over the last 15 years, Africa has implemented various initiatives in line with the commitments, including the Accelerated Agribusiness and Agro-industries Development Initiative (3ADI) and the Pan-African Quality Infrastructure (PAQI), which provides common policy on manufacturing standardisation and quality assurance. Other major undertakings include the development of the AU's Pharmaceutical Manufacturing Plan for Africa (PMPA) and the Africa Mining Vision (AMV). At sub-regional level, the Regional Economic Communities (RECs) have developed industrial development strategies. Industrial development is one of the pillars

of the COMESA-EAC-SADC Tripartite Free Trade Agreement (TFTA) signed in June 2015. At country level, several African states have underlined in their national development strategies the importance of structural transformation towards manufacturing and agro-related industries in the medium to long term. Africa is attracting increasing flows of investments, including private equity, foreign investment and diaspora finance (see Topic 16) and countries are improving their capacity to mobilise domestic resources for industrialisation (see Topic 15).

Development partners: ODA disbursements for industry in Africa (excluding construction and mining) have almost doubled in real terms over 2002-13, reaching USD 768 million in 2013. Half of 2013 outflows came from bilateral donors and the other half from multilateral agencies. The European Union (EU) is contributing to the implementation of AIDA through its support to the AU Commission in co-operation with the United Nations Industrial Development Organization (UNIDO), within the framework of the Joint African-EU Strategy. UNIDO assisted in the implementation of both the African Productive Capacity Initiative (APCI) and the African Productive Capacity Facility (APCF), and has made significant progress in developing various programmes under the 3ADI and the PMPA.

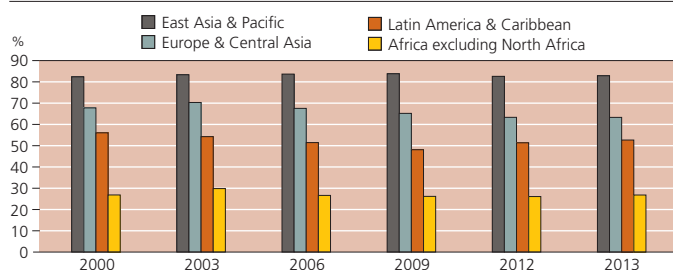
What results have been achieved?

Africa's economy has grown on average 5% annually since 2000 – 3.9% in 2014. The growth was underpinned by private consumption and gross fixed capital formation, supported by improved governance and macroeconomic management, continued urbanisation, a rising middle class driving aggregate demand, diversified trade and investment ties with emerging economies, and tighter regional integration and trade partnerships. Africa has seen a decline in its labour force engaged in agriculture and an increase of employment in higher-productivity activities such as services. Little of the growth, however, is due to industrialisation. This puts Africa's long-term development at risk. Industrialisation has the potential to create a large number of quality jobs and increase incomes and equality; it promotes the shifting of resources into higher-value activities, the creation of local value chains and therefore increased competitiveness in global markets. These are all essential for a sustainable and shared growth. Over the past ten years, the average composition of GDP by sector in Africa has changed little. The share of industry including construction and mining has remained almost constant at around 27% of value-added over 2003-13 and the contribution of manufacturing has actually decreased from 11% to 9% of industry value-added over 2000-13.

Strong country and continent-wide commitments to transform and industrialise Africa's economies. However, up to now, industrialisation has contributed little to Africa's recent growth and manufacturing remains stagnant. More needs to be done to foster the continent's industrialisation.

Manufacturing only contributes about 8% of GDP in Africa (excluding North Africa) today. This share has declined from nearly 11% in the 1980s. Africa's share of world manufacturing value-added (MVA) has remained flat over the past decade, amounting to just 1.5% in 2013. African countries remain dependent on commodity exports (77% of Africa's exports over 2000-13) and resource-based manufacturing (49% of manufacturing exports in the region in 2009).

Africa's share of manufactured exports as a percentage of merchandise exports, compared to other developing regions (2000-13)



Note: See Table 1.1 in Part II – Annexes.

Sources: Data from World Development Indicators, World Bank (ECA calculations based on WDI latest data available, consulted in April 2015).

Between 2000 and 2013, the share of Africa's exports as a percentage of world total has increased from 2.4% to 3.2%, commensurate with Africa's share of world GDP. The share of Africa's manufactured exports as a percentage of world total, however, has stagnated around 0.7% and 0.8% in 2000-13. However, a lot of manufacturing employment and value-added takes place in the informal sector and therefore remains unaccounted for. Moreover, in some countries, the decline in manufacturing has been matched by increases in high-productivity services, which are also an avenue for economic transformation and job creation. Currently, Africa captures a small but growing share of trade in GVCs, although this is limited to lower-value activities. Africa's share in global trade in value-added grew from 1.4% to 2.2% in 1995-2011. Despite the discouraging data on formal industrialisation, Africa is riding a mix of trends that bode well for its future industrial take-off.

Improvements in education, increased foreign direct investment (FDI) and innovative sources of finance, increased infrastructure investments and the spread of information and communication technology (ICT), a potential demographic dividend (subject to the growing African youth being gainfully employed), an emerging middle class, renewed governments' attention towards industrial policy, macroeconomic stability and improving services, create a promising combination for the continent's economic transformation.

Africa is taking decisive policy moves toward deeper regional integration – chiefly by promoting the Continental Free Trade Agreement (CFTA – see Topic 2). If effectively implemented, such moves will boost Africa's internal trade, which is richer in manufactured and intermediate goods, promoting industrial activity on the continent, reducing dependency on imported inputs and creating regional value chains.

What are the future priority actions?

Africa

- Address Africa's inadequate soft and hard infrastructure provision and boost its energy production and distribution networks to increase industrial competitiveness;
- Promote regional value chains through increased regional integration that can enhance Africa's participation in GVCs beyond providing commodity inputs and its ability to export higher value-added goods;
- Accelerate the implementation of AIDA and of regional trade policies that can support industrialisation, such as the CFTA; and
- Improve linkages of FDIs with the local economy in terms of skills, technology and productivity transfers.

Development partners

- Maintain increased financial support to help build skills and enhance the effectiveness of policy-makers and institutions that can drive Africa's economic transformation;
- Deliver technical support and advice to African governments in implementing their industrialisation policies; and
- Assist Africa in its efforts to improve the continent's business climate and in securing sustainable sources of investment through innovative financial instruments.

Key commitments

African governments continue to emphasise the importance of trade, with three sets of commitments to: (a) address supply-side constraints, improve competitiveness, diversify the economy and enhance productive and trade capacities; (b) reduce trade barriers and facilitate trade; and (c) deepen regional integration. With respect to the latter, two important steps were taken in mid-2015: the signing of the COMESA-EAC-SADC Tripartite Free Trade Agreement (TFTA) and the launch of Continental Free Trade Area (CFTA) negotiations.

Development partners have reiterated commitments to: (a) maintain trade finance, keep markets open and roll back protectionist measures; (b) bring the Doha Round to an ambitious and balanced conclusion; and (c) support enhanced trade capacity, including maintaining aid for trade (AfT) commitments. In 2014, the EU committed to continue working on Economic Partnership Agreements (EPAs) with Africa. Also, the African Growth and Opportunity Act (AGOA) – a U.S. trade preference programme dating from 2000 – has been extended for ten years.

What has been done?

African governments are tackling supply-side and competitiveness problems through national and regional initiatives to support the development of productive capacity. Continental frameworks in this respect include the Programme for Infrastructure Development in Africa (see Topic 4), the Comprehensive African Agriculture Development Programme (see Topic 3), Africa's Accelerated Agribusiness and Agro-industries Development Initiative and the Action Plan for the Accelerated Industrial Development in Africa (see Topic 1). In December 2014, the AU signed a Joint Programming Arrangement with four partners providing a framework for co-ordinated dialogue and support for AU trade and customs priorities. **Tariff barriers** have fallen significantly but still remain noticeable. Effectively applied trade weighted average import tariffs fell from 16.8% to 6.7% over 2000-13. **Regional integration:** Adoption of the Action Plan for Boosting Intra-African Trade in 2012 and fast-tracking of the CFTA created greater momentum for regional integration. The launch of CFTA negotiations and establishment of the TFTA – an integrated market of 26 countries accounting in 2014 for 58% of Africa's GDP – in June 2015 is to be welcomed. **Trade facilitation:** The World Trade Organization (WTO) Trade Facilitation Agreement (TFA) of December 2013 received strong attention from African countries. Recognising the challenge posed by disproportionately high

trade-related costs, some African countries have already established a solid base to implement the agreement. However, others have highlighted the challenges of securing domestic procedures to accept the TFA, as well as those faced in the implementation of trade facilitation commitments, notably in terms of capacity development, resource mobilisation and policy co-ordination.

Development partners: The WTO has tallied 93 new trade-restrictive measures introduced by G20 countries between May and October 2014, adding to restrictions established since the start of the global crisis, most of which still stand. Further, new “murky protectionism” measures, specifically local content requirements, are having a negative impact. Overall, trade restrictive measures put in place since October 2008 excluding those since terminated, cover around 4.1% of world merchandise trade (5.3% of G20 trade). **Doha and preferential treatment:** The Bali package of December 2013 included the TFA, as well as decisions on public stockholding for food security purposes and on the establishment of a monitoring mechanism for implementing special and differential treatment provisions. Other aspects of the package, however, have been characterised by non-binding language, as was the case for Duty-Free Quota-Free (DFQF) access, preferential rules of origin, agricultural export subsidies and cotton issues. More broadly, progress on various elements of the Doha Round remains elusive, including on agriculture, non-agricultural market access and services. This stalemate has prompted some countries to seek alternative arrangements, notably through so-called “mega-regional trade agreements”. These pose challenges for Africa, potentially leading to preference erosion, diversion of trade and investment and to a situation whereby rules and standards applied to a significant share of global trade could be defined without the participation of African countries. Some progress on DFQF access has been achieved on a unilateral basis, with several emerging economies introducing unilateral preferential schemes. In terms of bilateral preferential arrangements, EPA negotiations have been concluded in 2014 with ECOWAS (plus Mauritania), EAC and SADC. Although EPAs could reduce trade distortions and enhance African countries' access to imported intermediates and capital goods, they raise a number of concerns. First, given the prevailing trade relationships and tariff structure, African countries would significantly open their economies with limited export gains. Secondly, unless further liberalisation occurs across African RECs, EU products may face lower tariffs than similar African products from other RECs. Thirdly, there is a risk that inconsistencies between the EPAs' configurations and RECs could hamper Africa's regional integration. On the other hand, the AGOA renewal promises to enable better utilisation of preferential access to the U.S. market.

AfT for Africa: In real terms, commitments to Africa rose from an annual average of USD 7.9 billion over 2002-05 to USD 19.3 billion in 2013.

What results have been achieved?

Trade structure: Africa's merchandise exports rose from USD 147.9 billion to USD 521.4 billion over 2000-10. However, after a decline in 2009, Africa's exports rebounded to USD 639.8 billion in 2012, falling back to USD 602.5 billion in 2013 (3.3% of world exports). African exports have not diversified: the share of fuels and natural resource-based products – mainly in raw form – in total merchandise exports has been rising and accounted for about three-quarters of exports in 2013. Given the sharp decline in commodity prices in the past two years, Africa (excluding North Africa) has suffered terms-of-trade deterioration estimated at 18.3% in 2014.



Note: See Table 1.2 in Part II – Annexes.

Source: UNCTAD (2014), Handbook of Statistics 2014, United Nations, New York and Geneva, http://unctad.org/en/PublicationsLibrary/tdstat39_en.pdf.

Africa was also the only sub-region which experienced a decline (2.4%) in exports in 2013. However, Africa's export markets have diversified: Europe and North America continue to absorb most of its merchandise exports, but developing countries have dramatically increased their weight (28% to 49% between 2005-13). China has become Africa's largest trade partner, absorbing 27% of African (excluding North Africa) exports in 2013. **Intra-regional trade:** African firms appear to be increasingly connecting to global value chains (GVCs), although at the lower rung and predominantly trading with partners outside the continent. This suggests important barriers to intra-African trade, which remains low at 16.3% of total trade in 2013. Despite their small size, intra-African exports grew by 50% (USD 40.9 billion to USD 61.4 billion) between 2010-13.

Intra-African trade remains low but improving in some regions. More efforts needed to reduce trade barriers and supply-side constraints and to counter rising protectionism.

Trade in services is gaining momentum with a 47% average contribution to GDP between 2003-12, focussing mainly on travel and transport. African countries are already seeing successes in exporting services to neighbouring countries and overseas.

Trade facilitation: According to the 2015 *Doing Business* report, Africa (excluding North Africa) accounted for the largest number globally of regulatory reforms that reduced the cost of doing business. Nonetheless, the business environment remains challenging in many countries (see Topic 5). Moreover, progress on efficiency of the trade supply chain has been slower in Africa, with only 12 countries ranked among the top 100 performers in the Logistics Performance Index, compared to 15 countries in 2012.

What are the future priority actions?

Africa

- Continue addressing supply-side constraints and pursuing economic diversification to improve productive capacities and competitiveness;
- Continue reducing tariff and non-tariff barriers, shrinking the thickness of borders through further trade facilitation measures, such as simplified customs practices and harmonised rules of origin; and
- Accelerate regional economic integration, implement the TFTA, establish Free-Trade Agreements (FTAs) within other RECs and work towards the establishment of the CFTA by 2017.

Development partners

- Dismantle restrictive trade measures put in place since the crisis and refrain from new restrictions;
- Conclude outstanding negotiations on bilateral preferential trade agreements with Africa; and
- Increase support for building trade capacity in Africa.

Jointly

- Implement decisions agreed at Bali in December 2013, including by ratifying the WTO TFA, and work towards a successful and balanced conclusion of the Doha Development Agenda beneficial to African countries.

Key commitments

Africa: In the June 2014 Malabo Declaration on Accelerated African Agricultural Growth and Transformation for Shared Prosperity and Improved Livelihoods, African Leaders recommitted to allocating at least 10% of public expenditure to agriculture, sustaining annual agricultural GDP growth of at least 6%, doubling current agricultural productivity levels and halving current levels of post-harvest losses by 2025. They also committed to triple intra-African trade in agricultural commodities and services and ensure that 30% of the continent's farm, pastoral and fisher households are resilient to climate and weather-related risks by 2025. Leaders also agreed to review progress systematically using the Comprehensive Africa Agriculture Development Programme (CAADP) Results Framework.

Development partners: The 2009 L'Aquila Food Security Initiative (AFSI) committed to mobilise USD 22 billion over 2009-12 for agricultural development and food security. Under the 2012 New Alliance for Food Security and Nutrition, the G8 committed to specific policy reforms and investments to accelerate implementation of country food security strategies under CAADP. The G7's Broader Food Security and Nutrition Development Approach of 2015 aims to lift 500 million people out of hunger and malnutrition by 2030 through a broad scope of interventions. The 2011 G20 Action Plan on Food Price Volatility and Agriculture comprised measures to increase productivity and address food price volatility, including launching the Agricultural Market Information System (AMIS). The 2014 G20 Food Security and Nutrition Framework is intended to guide the G20's future actions on food security and nutrition. It sets out the priority objectives of increasing incomes, quality employment and responsible investment in food systems and increasing productivity sustainably to expand the food supply.

What has been done?

Africa: The AU Commission and NEPAD Planning and Coordinating Agency (NPCA) are developing a work programme to operationalise the Malabo commitments. As of December 2013, 39 countries signed CAADP Compacts and 29 finalised their national agriculture investment plans. Agriculture remains relatively neglected in government budgets. The share of agricultural expenditure in national budgets rose during 2003-08 following the launch of CAADP, growing at an average of 7.7% annually. However, it declined during the period 2008-13. Twelve African countries have reached or surpassed the 10% budgetary allocation target, while 13 are in the 5-10% range. At the June 2014 AU Summit, NPCA launched the Africa Climate-Smart Agriculture Alliance

to reach six million farming families through climate-smart agriculture processes over the next seven years. The Africa Solidarity Trust Fund was launched in June 2013 to improve food security across the continent, with funding of USD 40 million, mostly from two African countries.

Development partners: ODA dedicated to agriculture, forestry and fishing has increased from USD 1.28 billion to USD 3.57 billion between 2002-13 (2013 constant prices). Emergency food aid increased from USD 641 million to a high of USD 2.05 billion in 2002-11, falling to USD 1.37 billion in 2013 (2013 constant prices). **AFSI:** 93% of the USD 22.24 billion ultimately pledged through AFSI (of which USD 15.42 billion was already planned) were disbursed by July 2015. **New Alliance:** In 2013, New Alliance Co-operation Frameworks expanded from three to ten countries, from 45 to 180 companies, and from USD 3.5 billion to USD 8 billion in planned investments. In 2014, an additional 48 companies – primarily African-based – signed letters of intent with the New Alliance, raising the level of investment commitments to more than USD 10 billion. These proposed investments are expected to reach three million smallholder farmers. USD 2.1 billion worth of Co-operation Framework financial commitments were disbursed by funding partners, reflecting 72% of funding intentions. Of recipient government policy commitments due by June 2014, 25% were completed, 70% demonstrated progress and 6% showed no progress. **Agriculture Fast Track Fund (AFTF):** Launched in May 2013 with an initial funding of USD 23.8 million, the AFTF has been effective in supporting selected bankable projects in six qualifying New Alliance countries. As of August 2014, AFTF approved 12 project preparation grants totalling USD 6 million for project design work. These are expected to generate up to USD 250 million in private investment and benefit approximately 92 000 smallholder farmers. **Global Agriculture and Food Security Programme (GAFSP):** As of November 2014, partners have disbursed USD 1.37 billion (93% of pledges) to the public and private sector windows of the GAFSP. In 2010-14, USD 527 million was extended to 15 African countries through the public window, and private sector projects in more than seven African countries benefited from USD 110 million in guarantees and other forms of support. **G20:** The G20 contributed to the integration of agriculture risk management in CAADP agricultural policies, in particular through the association with NEPAD in the Platform for Agricultural Risk Management. This program was included in the New Alliance as well as in the Global Alliance for Resilience (AGIR) - Sahel and West Africa, launched in 2012. Responding to the G20 call from Cannes, ECOWAS led the development of a pilot project for a targeted

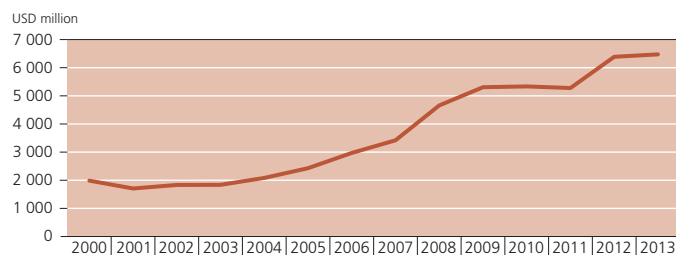
Continued under-investment means that agricultural growth remains below CAADP's 6% target. More needs to be done to increase productivity alongside investment and agri-food system-wide policy reform.

regional humanitarian food reserve system. Further steps towards operationalising the project continued in 2013-14. More remains to be done, however, to concretise a sustainable grain reserve scheme that will help stabilise food prices.

What results have been achieved?

Growth: Agricultural growth has been slower than overall economic growth in eight of the last ten years preceding 2013 and has remained significantly below the 6% CAADP target. The continent's average agricultural production growth in 2003-11 was 3.6%, lower than the average of 4.7% achieved in the previous 20 years. Ten African countries have achieved or exceeded the target and four have achieved a 5 to 6% increase. Agricultural growth has relied more on cultivation of land and mobilisation of unskilled labour force, rather than on increasing yields through more intensive approaches. **Productivity:** While cereal production has increased, yields are among the lowest in the world, rising marginally from 1.1 t/ha in 1995-2003 to 1.3 t/ha in 2003-14, compared to over 5 ton/ha in high-income countries. There is still ample room for investments to boost yields and make the continent food self-sufficient.

ODA to Africa for agriculture, food security and nutrition (USD million, current prices, commitments by all donors)



Note: The total figure shown refers to the following ODA sectors: basic nutrition (12 240); agriculture, forestry and fishing (311, 312, 313); agro-industries (32 161); food security programmes (52 010).

Source: OECD, DAC Secretariat (<http://stats.oecd.org/qwids>, last accessed on 15 September 2015).

What are the future priority actions?

Africa

Accelerate CAADP implementation by:

- Continuing policy, institutional and budgetary reform and enhancing support systems to create a framework for fostering responsible private investment and regional and intra-African trade in agricultural commodities and services;

- Increasing public investment in building and strengthening innovation for adaptive technologies in agriculture focusing on both production and value addition, including in irrigation, rural as well as corridor infrastructure, research and development and dissemination to significantly increase agricultural productivity and farm income;
- Promoting diversification and more equitable value chain development and improving the functioning of agricultural markets with a focus on sustainable production and access to inputs, including seeds and fertilisers, price information and credit; and
- Mainstreaming resilience and risk management in agricultural and development policies, strategies and investment plans.

Development partners

- Deliver remaining agriculture and food security commitments, including reducing global food price volatility, and develop a new set of commitments; and
- Invest in African efforts towards research and innovation, technologies and knowledge sharing to improve agricultural productivity.

Key commitments

African governments have consistently emphasised infrastructure, committing to strengthen national planning frameworks, reform and harmonise the regulatory environment, mobilise increased private and public resources and develop regional and continental programmes. The Programme for Infrastructure Development in Africa (PIDA) was endorsed by the AU in 2012 to help close the infrastructure gap and facilitate continental integration. The Presidential Infrastructure Champion Initiative (PICI) was launched in 2011 to provide political visibility and fast-track the implementation of key regional projects. Ambitious targets include: i) increase access to electricity to 35% of the population by 2020; ii) halve proportion of the rural population living beyond two km of an all-season road by 2015; and iii) reduce by 75% the proportion of the population without access to safe drinking water and basic sanitation by 2015.

Development partners have committed to increase financial support, help mobilise private sector participation and enhance project preparation and implementation capacity (see Topic 5), with specific commitments to promote renewable energy and energy efficiency. The infrastructure pillar of the 2010 Multi-Year Action Plan (MYAP) committed the G20 to overcome obstacles to investment, develop project pipelines, improve capacity and facilitate increased finance. In 2014, the G20 reiterated as priority areas the strengthening of the upstream environment for infrastructure investment, maximising the effectiveness of project preparation facilities and promoting better understanding of risk and return in infrastructure investment in low-income countries (LICs).

What has been done?

Africa: The Institutional Architecture for Infrastructure Development in Africa (IAIDA) was set up as the implementation mechanism of PIDA. Governments endorsed the Dakar Agenda for Action in June 2014 that aims to build and strengthen innovative synergies between public and private sectors. The African Development Bank (AfDB) announced an infrastructure investment platform, Africa50, with proposed initial investments of USD 500 million for project financing and USD 100 million for project development. The RECs also promoted cross-border initiatives including power pools in all sub-regions and cross-border trading of power in Southern and Western Africa. Concrete actions have included signing a treaty to modernise the Abidjan-Lagos Corridor to a six-lane highway with a USD 50 million seed fund to facilitate implementation, a high-speed train project from Mombasa to Uganda, Rwanda, Burundi and South Sudan, and LAPSET, a network of a modern highways,

railways and port development to connect Kenya to South Sudan and Ethiopia, and a railway facility along the Addis Ababa Djibouti corridor completed in June 2015. At the national level, budget allocations for infrastructure in governments' spending plans, although still inadequate, increased by 8% in the 2011-13 period, with budget commitments from 21 countries, where information is available, estimated at USD 46 billion. Regulatory agencies have been established but are faced with weak implementation capacity. Reforms are underway in the power sector to address electricity shortages and promote renewable energy. In transport, there are efforts to improve logistics and trade facilitation.

Development partners: ODA for Africa's infrastructure has continued to increase from USD 3 billion in 2002 to USD 11.1 billion in 2013. Almost 45% went to transport, 30% to energy, 24% to water supply and sanitation. Financial commitments by Infrastructure Consortium for Africa (ICA) members – which include non-ODA flows – have rebounded in the past three years, reaching a record USD 25.8 billion. Commitments from the private sector and non-ICA members, including China and other BRICs, stood at USD 52.9 billion in 2013. Private participation in infrastructure (PPI) commitments has changed very little in the past eight years, averaging about USD 14 billion annually and accounting for less than 10% of global PPI. In 2012, there was a diversification away from telecom towards energy and transport; there were no private investments in water and sewerage projects. Adequate project preparation to attract private sector participation remains a significant challenge. The G20 has completed many of the actions agreed under the MYAP; however, progress in several areas such as investment barriers, transparency in procurement and integration of finance safeguards remains slow. Over USD 29 billion from public and private sources has been committed in support of the U.S. Power Africa initiative.

What results have been achieved?

Despite increased investment, progress has been slow (apart from ICT, and for some countries, road transport). Weak infrastructure remains a major constraint to growth and social progress. On several basic infrastructure indicators, African countries trail their developing country peers, with the gap particularly noticeable in the density of paved roads, power generation and distribution. Rural access across all sectors is significantly lower than for urban zones. **Energy:** Despite many efforts, the electricity access rate for Africa (excluding North Africa) only reached 33% in 2013, up from 23% in 2000. Nearly 80% of those lacking access are in rural areas. And while 145 million people worldwide have

Despite improvements, weak infrastructure remains a major constraint to development. Continued efforts needed to promote sharing of experiences across sectors, greater private sector involvement, and to sustain high-level commitment from participating countries in regional projects.

gained access to electricity since 2000, the number of Africans living without electricity is rising. Small, inefficient national power systems combined with reliance on expensive oil-based generation makes generating costs exceptionally high (3.5 times that of South Asia). Thirty countries have experienced energy crises in recent years. Investments in renewable energy have shown a remarkable increase in recent years. As part of Power Africa, more than 4 100 MW worth of transactions have financially closed, representing 41% of the initiative's initial 10 000 MW goal for new power generation. **Transport:** Only 34% of the rural population is within two km of an all-season road, compared with two thirds in other developing regions. Transport costs are much higher than in other developing regions, compounded by high profit margins for trucking companies – particularly in West and Central Africa sub-regions – and insufficient intermodal connections. **Water and sanitation:** Although Africa (excluding North Africa) has made impressive progress in access to an improved water source – rising from 49% to 64% over 1990-2012 – 325 million Africans still did not have access to improved drinking water in 2012. Progress on sanitation has been slower – only 30% of the population had access to improved sanitation facilities in 2012, marginally up from 24% in 1990. Half the continent faces water stress and scarcity. **ICT:** Mobile telephony has been a success and has adapted to local needs.

What are the future priority actions?

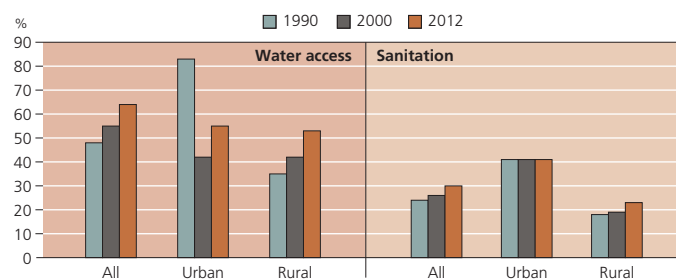
Africa

- Intensify efforts to improve efficiency of existing infrastructure;
- Expedite the operationalisation of IAIDA and maintain support for the PICI and Dakar Agenda for Action; and
- Intensify efforts to access diverse sources of infrastructure financing, including domestic and regional capital and debt capital markets and boosting co-operation between public and private sectors.

Development partners

- Increase financial support for infrastructure development;
- Implement G20 High-Level Panel recommendations, the MDB Action Plan as well as key actions prioritised in recent G20 declarations; and
- Use ODA to leverage increased private investment including the use of guarantees and other risk mitigation instruments.

Access to water and sanitation (% of population)



Sources: WHO and UNICEF, *Progress on Drinking Water and Sanitation*, 2014 Update.

Mobile subscription has risen from 18 to 69.3 per 100 inhabitants over 2006-14; although still lower than other regions. Since 2012, all coastal countries have access to at least one international submarine cable but a few important gaps remain in connections with land-locked countries. The number of internet users is estimated to have grown from 3.3% in 2006 to 19% in 2014. Based on the ICT Development Index, Africa not only has the lowest regional average in 2013 but also was the region with the least improvement.

Key commitments

Africa: Private sector growth was identified as a priority in the 2001 NEPAD founding statement and reiterated in the 2010 AU African Private Sector Forum Declaration. Governments have since made several policy declarations, including at the January 2015 AU summit, emphasising the critical role of the private sector as the engine for sustainable, inclusive growth, jobs and wealth creation, and supporting the creation of an enabling business climate for investment, especially for micro-, small- and medium-sized enterprises (MSMEs). The AU continues to promote the private sector's role in development through the setup of a Continental Business Network on Infrastructure Financing and public-private partnerships (PPPs) in key infrastructure sectors (see Topic 4).

Development partners: Over the years, the G20 and G7/G8 have made commitments to: (a) support African efforts to remove obstacles to investment and reduce the cost of doing business; (b) facilitate long-term financing from institutional investors, notably through PPPs and (c) promote competition, entrepreneurship, innovation and responsible investment, particularly for SMEs. The G20 identified private investment and job creation as a key pillar of its 2010 Multi-Year Action Plan and commissioned work on maximising the value addition of private investment, promoting responsible investment in value chains, encouraging PPPs and supporting SMEs. The G20 endorsed its Financial Inclusion Action Plan in 2014 which focusses on facilitating private sector-led innovation that integrates financial inclusion with financial education and consumer protection, and increased financial opportunities for SMEs.

What has been done?

Africa: The AU has recently developed programmes emphasising the critical role of the private sector, such as the AU Private Sector Development Strategy for 2015-2019, which includes three pillars oriented towards improving the business climate, increasing productive capacities and the inclusive growth role of the private sector. The Action Plan for Boosting Intra-African Trade also aims to enhance the role of the private sector in formulating trade policy. **Business environment:** The AU and RECs are pursuing harmonisation of payment systems across Africa, including the creation of a Virtual Pan-African Stock Exchange and regional initiatives on business laws such as the Organization for the Harmonization of Business Law. The Pan-African Investment Network and the Business Directory of Top African Companies will contribute to the improvement of the African investment climate by providing information for investment opportunities. **Productive capacities:** Ongoing programmes

on agriculture (see Topic 3) and infrastructure (see Topic 4) have been reinforced. Engaging the private sector, as well as promoting continental integration and trade, was also a key feature of the recent 5th EU-Africa Business Forum and 4th EU-Africa Summit and its roadmap for cooperation. **Inclusiveness and job creation:** In December 2014, the 7th African Private Sector Forum adopted initiatives such as the signature of MoUs with the Islamic Corporation for the Development of the Private Sector and the NEPAD Business Foundation. The Tony Elumelu Foundation set up a pan-African initiative of USD 100 million to provide seed money to 10 000 selected African entrepreneurs, with a target of creating one million new jobs.

Development partners: Total ODA for business support and banking and financial services in Africa sharply increased from USD 563.82 million to USD 1.38 billion over 2000-13 (2013 constant prices). The International Finance Corporation (IFC) is by far the largest financier supporting the private sector. Its investments in Africa (excluding North Africa) reached USD 4.6 billion in 2014 and mobilised USD 1 billion from other investors. IFC's clients provided nearly two billion loans to MSMEs in Africa (excluding North Africa) totalling USD 8.5 billion. The AfDB has supported reforms encouraging strategic investments in private sector projects and PPPs, notably through the Africa50 fund for infrastructure and the Grow Africa partnership platform. The AfDB increased its investments in private sector operations from USD 1.3 billion to USD 2.22 billion in 2012-14. The G20 committed to improve private sector transparency by implementing the G20 High-Level Principles on Beneficial Ownership Transparency and endorsing its 2015-16 Anti-Corruption Plan. The OECD has conducted seven Investment Policy Reviews from 2012-14 through the NEPAD/OECD Investment Initiative. These complement similar reviews of 23 African countries undertaken by United Nations Conference on Trade and Development (UNCTAD) since 1999.

What results have been achieved?

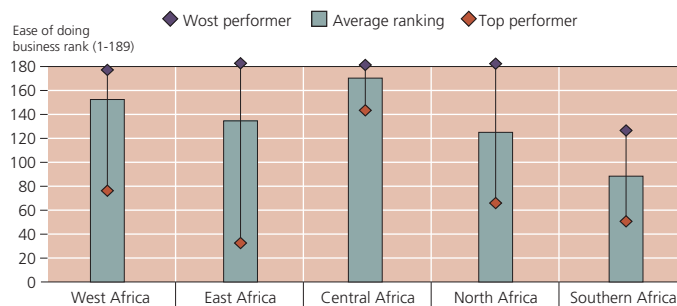
Business environment: Although private sector development remains hampered by a continuing infrastructure deficit and fragmented business environment, doing business in Africa is easier as a result of recent reforms. According to the *Doing Business 2015* report, the continent (excluding North Africa) has the second largest share of economies implementing at least one regulatory process (74%), with 39 of its 47 countries involved in one or more regulatory reforms in 2013-14. Half of the top ten countries that have implemented the highest number of reforms are from Africa.

Significant progress on reforms geared towards macroeconomic stability and investment attraction. High potential from scaling up best practices across sub-regions, integrating global value chains and improving access to financial services, especially for SMEs.

Reforms have focused on making it easier to start a business, getting credit and protecting minority investors. These improvements have translated into a surge in intra-Africa investment, leading to a rising share of jobs created by intra-African projects from 6% to 10% in 2009-14. The region still falls short in other regulatory reforms. Most African countries remain low in the report's ranks, and additional improvements are needed. Indeed, only ten African countries were among the World Bank's top 100 doing business rankings in 2015, only one was in the top 50 and none in the top 15.

Financial sector: Capital markets have grown but several issues remain for investors, such as their small size. Most of the continent's markets are still considered to be frontier markets with high returns but also high risks, low liquidity and various capital market regulation models. Initiatives such as the Making Finance Work for Africa Partnership support the development of the African financial sector, which remains very much underdeveloped with a penetration rate of 30%. While business funding has improved, the banking industry remains concentrated, financing costs are high and the lack of access to credit is a primary inhibitor, particularly for SMEs, which account for up to 90% of all businesses in Africa (excluding North Africa).

Average ranking of ease of doing business, by regional grouping, 2014



Note: See Table 1.3 in Part II – Annexes.

Sources: World Bank (2014), *Doing Business 2015: Going Beyond Efficiency*, World Bank, Washington D.C.

Only 20% of African SMEs have a line of credit from a financial institution. Most economic activity takes place in the informal sector, accounting for more than half of GDP and employing more than 80% of the working population. **Private flows:** While an improved environment in some countries has helped Africa attract more investment in the last decade, weaknesses are reflected in relatively low shares of global FDI. Accelerating improvements in the continent's business environment will be necessary to enhance productivity, close the competitiveness gap with other regions, and boost employment as well as private capital flows.

What are the future priority actions?

Africa

- Scale up best practices across regions and regional initiatives to accelerate improvements in the business environment and open up opportunities for increased intra-African trade;
- Fast-track Africa's integration in continental and global value chains, increase productivity and promote private sector participation; and
- Enhance access to long-term financing – notably through exploring new and innovative financing models that promote enhanced domestic resource mobilisation – to fund infrastructure, energy and human capital needs for accelerated industrialisation.

Development partners

- Support efforts to improve access to finance, particularly for MSMEs and contribute to the regional integration of African financial and capital markets by enhancing African banks' capacity to access international markets; and
- Increase ODA towards productive and catalytic sectors such as infrastructure, business, banking and financial services, industry, trade policy and domestic resource mobilisation.

Key commitments

African countries have committed in Rio in 1992 to integrate environmental sustainability into development planning. In 2012, the AU called for a roadmap on effective implementation of Rio+20 outcomes in Africa. The African Ministerial Conference on the Environment (AMCEN) subsequently committed to develop and implement regional flagship programmes and establish mechanisms for co-ordinated support for green economy programmes. These commitments were reiterated in March 2015 in the Cairo Declaration on Managing Africa's Natural Capital for Sustainable Development and Poverty Eradication. AMCEN also decided to initiate development of an African common strategy on combating illegal trade in wild fauna and flora. African countries have adopted Agenda 2063, which calls for Africa's environment to be valued and protected. In June 2014, the AU also recognised the unique challenges faced by Small Island Developing States (SIDS).

Development partners have committed to support Africa in promoting sustainable forest management and tackling illegal logging and illicit trade in wildlife. In 2010, the OECD-DAC adopted a Policy Statement on Integrating Biodiversity and Associated Ecosystem Services into Development Co-operation. In 2012, developed country parties committed to double international finance supporting the Convention on Biological Diversity (CBD) by 2015 from a baseline calculated over 2006-10, with a particular focus on least developed countries (LDCs), SIDS and economies in transition and to implement the Strategic Plan for Biodiversity 2011-20 and its associated Aichi Targets.

Jointly: At the 2012 Rio+20 Summit, world leaders agreed: a) on the green economy as one of the tools for achieving sustainable development and actions needed to support countries; b) to promote synergies between existing Multilateral Environment Agreements; c) to develop a set of SDGs to promote global prosperity, reduce poverty and advance social equity and environmental protection; and d) to advance action in areas critical to Africa's sustainable development.

What has been done?

African governments have developed national strategies incorporating economic, social, environmental and institutional dimensions of sustainable development. While some initiatives have moved to action, implementation is globally weak and their effectiveness limited, resulting from inadequate institutional capacity compounded by limited budgetary resources provided to environment ministries. **CBD:** Forty-eight African countries have

completed (and three others are developing) National Biodiversity Strategies and Action Plans (NBSAPs) which are the principal instruments for implementing the Convention at the national level. However, only 11 countries have revised their NBSAPs to reflect the status of compliance with the Nagoya outcomes that call for developing national biodiversity targets and integrating them in development policies and strategies. Forty African countries have submitted fifth national reports (in 2014-15) which include progress towards the Aichi Targets. Most African countries have developed new biodiversity legislation and two-thirds are developing or implementing national forest programmes. Thirty-nine countries have national plans covering 17% of Africa's forests, 40 have forest policies, and 43 have specific forest laws. Thirteen African countries have developed sustainable forest management programmes either under UN-REDD or other initiatives. **The United Nations Convention to Combat Desertification (UNCCD):** Most countries have developed national action programmes to combat desertification and implementation has started in some countries. Regional Action Programmes have been developed and are increasingly aligned with the UNCCD. The Great Green Wall for the Sahara and the Sahel Initiative has received USD 1.1 billion from the World Bank and the Global Environment Fund (GEF) for 12 country projects.

Development partners' environment-related ODA to Africa increased from USD 6 billion in 2006 to USD 8.4 billion in 2013, accounting for 20.6% of total committed ODA. Bilateral biodiversity-related development finance commitments reached USD 5.6 billion per year on average in 2011-13 with 27% of this amount (USD 1.5 billion) allocated for Africa. In 2013, the AfDB approved USD 265 million of lending to the environment sector and in 2014, the World Bank Group committed USD 1.2 billion for the environment and natural resources management. Since 1991, the GEF has supported over 900 projects in Africa, with USD 876 million for biodiversity and USD 217 million for land degradation. The TerrAfrica Initiative, an international partnership launched in 2005 through NEPAD/AfDB, has leveraged more than USD 2 billion to scale up sustainable land and water management in 24 countries. Fifteen African countries are receiving technical assistance to implement REDD+. The Congo Basin Forest Fund has approved funding of USD 94 million for 40 projects in ten countries to help reverse the rate of deforestation in the area.

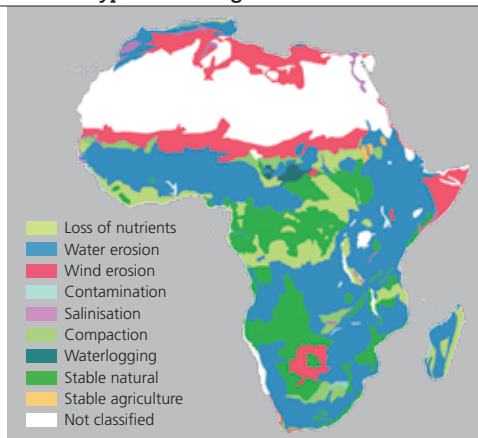
What results have been achieved?

Weak policy implementation has hampered progress, with wider implications for future sustainable development and poverty reduction. All but six African countries are in the bottom half of the 2014

Progress towards key environmental objectives is mixed. More needed to accelerate implementation of national plans and strategies and strengthen programming for environmental interventions in development assistance.

Environmental Performance Index, which assesses the performance of 178 countries against established environmental policy goals. In aggregate, Africa slightly underperformed compared to the global average over 2000-12, although ten African countries individually over-performed. **Biodiversity:** Data and information remain patchy but appear to indicate that progress has been achieved since 1990. Terrestrial protected areas as a share of total land area has risen from 11.1% in 1990 to 14.6% in 2014 and 2.4% of coastal and marine areas are reported as being protected. Nineteen countries have reached the target of having at least 17% of their territorial areas protected and another ten have reached the minimum of 10% of their marine areas protected. About 14% of Africa's total forest area is designated for biodiversity conservation and is growing at 0.7% per annum. These efforts are clearly insufficient as the continent faces the highest numbers of threatened species of fauna and flora with 790 mammals, 714 birds, 1 739 fish and 2 977 higher plants considered threatened. **Forest cover:** The area covered by forest management plans has increased by more than four million hectares annually over the last decade.

Types of soil degradation in Africa



Source: The Montpellier Panel (2014), *No Ordinary Matter: Conserving, Restoring and Enhancing Africa's soils*, Agriculture For Impact, December 2014.

However, only 1% of Africa's forest estates (67 500 km²) have met responsible management standards through Forest Stewardship Council certification. Africa holds 16.8% of the world's forests but accounts for only 3.6% of total certified areas. Total forest area has declined by 20% between 1990 and 2012 to reach 5.9 million km². This trend is continuing and over 2000-11, Africa experienced the highest annual average rate of deforestation among all regions.

Desertification: Two-thirds of Africa are classified as deserts or dry lands, concentrated in the Sahel, the Horn of Africa and the Kalahari Desert. Soil erosion from overgrazing, unsustainable agricultural practices and illegal timber logging, aggravated by climate change, play a major role in overall land degradation, which affects almost two-thirds of the population. **Green economy:** Several countries are implementing green economy strategies, including for renewable energy and energy efficiency and removal of environmentally harmful subsidies. Some countries have created centres to develop skills and support access to new green job opportunities.

What are the future priority actions?

Africa

- Accelerate implementation of existing plans and strategies on biodiversity, forests, desertification and inclusive green growth, including providing larger budgetary resources for environmental protection;
- Implement regional flagship programmes on Rio+20 outcomes and develop indicators and other measurement tools to monitor progress towards greener growth; and
- Accelerate the domestication of Agenda 2063 and the post-2015 Development Agenda, and implement them within the framework of national development initiatives and plans.

Development partners

- Strengthen priority given to environmental concerns in development assistance;
- Increase support for development and implementation of green growth/economy policies and programmes in Africa including the Great Green Wall and regional flagship programmes; and
- Support development and implementation of programmes to achieve environmental goals set in Agenda 2063 and the post-2015 Development Agenda.

Key commitments

African Leaders have taken several decisions and resolutions urging States and regional agencies to integrate climate change adaptation into development plans at national and regional levels and to initiate an African green economy partnership. In June 2014, Leaders endorsed a High-Level Work Programme on Climate Change Action which identifies five key areas in setting up plans for facing climate change risks. In 2015, the AMCEN called for a global goal for adaptation which takes into account adaptation needs and associated costs in the upcoming 2015 climate agreement and for more ambitious mitigation efforts to keep global temperature rise below 1.5°C.

Development partners: Under the Kyoto Protocol, 36 developed and transition economies committed to collectively reduce greenhouse gas (GHG) emissions by an average of 5.2% during the first commitment period ending in 2012 and with 1990 as the reference year. With the exception of four countries, they agreed in 2012 to further reduce GHG emissions by 20% to 30% by 2020, known as the Doha Amendment to the Kyoto Protocol.

Jointly: At Durban (2011), all UNFCCC Parties agreed to develop before the end of 2015 a new international climate agreement which will be implemented from 2020 onwards, aiming to limit the global average temperature increase to below 2°C above pre-industrial levels. In 2010, the Cancun Adaptation Framework (CAF) was established to enable LDCs to address medium- and long-term adaptation needs. In 2013, parties established the Warsaw International Mechanism for Loss and Damage to address long-term climate change impacts in developing countries that are especially vulnerable. Parties also agreed to initiate or intensify domestic preparations for their Intended Nationally Determined Contributions (INDCs) which will form the basis for the new international climate agreement.

What has been done?

Africa: Through the Nairobi Declaration in 2013, African Leaders adopted a common position calling for enhanced ambition on emission reduction. They also emphasised the need to include agriculture, and more particularly its potential for carbon sequestration, in the global mechanism on climate negotiations and finance. The AU in June 2014 endorsed the High Level Work Programme on Climate Change Action in Africa that will guide the AU, its members and RECs in addressing climate change. The ECA, AU Commission and AfDB have initiated the Climate for Development in Africa Programme (ClimDev-Africa) to support

climate-resilient development through better climate knowledge and guide the transition to low-carbon development in the continent. For the 26 countries of COMESA, EAC and SADC, the Tripartite Programme on Climate Change Adaptation and Mitigation is supporting the scaling-up of investments in climate-smart agriculture including conservation practices and carbon sequestration. With support by the World Meteorological Organisation (WMO), four regional climate centres have been upgraded to generate and deliver data and climate services in support of climate adaptation and risk management. At the country level, 33 African LDCs have developed and are implementing National Adaptation Programmes of Action (NAPAs) with focus on immediate adaptation needs. Four countries have developed Nationally Appropriate Mitigation Actions (NAMAs) and are awaiting support for their implementation. Building on lessons learned over the past decade, ten countries have submitted Technology Need Assessments for climate change. With support from the Forest Carbon Partnership Facility, 13 countries have implemented measures to build capacity readiness for the REDD+ mechanism. Half of all African countries have undertaken assessments of national potential for renewable energy development and some have set quantified targets for electricity production from renewable sources.

Development partners: Over the period 1990-2012, total aggregate GHG emissions, excluding emissions and removals from land use, land use change and forestry for all Parties in Annex I of the UNFCCC, decreased by 10.6% with most of the decline achieved in transition economies. The non-transition industrial countries saw their GHG emissions rise by 1.9% over the same period. Only 30 countries have ratified the Doha Amendment to the Kyoto Protocol, which will enter into force only when three-quarters of parties to the Protocol have done so.

What results have been achieved?

According to the WMO, 2014 was the warmest year on record and 14 of the 15 hottest years on record occurred this century. According to the US National Oceanic and Atmospheric Administration (NOAA), monthly global average concentrations of the heat-trapping carbon dioxide in the atmosphere surpassed the symbolic 400 parts per million (ppm) in March 2015 for the first time since it began tracking carbon dioxide in the atmosphere. A recent assessment of the 30 national climate plans so far submitted to the UN along with other commitments published by governments revealed that commitments already made by governments to cut carbon emissions may not be sufficient to

Projected climate impacts increasingly alarming for Africa. Urgent need to scale up emissions reduction and adaptation support for African countries.

keep the global average temperature rise below 2°C. The World Energy Outlook 2014 projected emissions from the energy sector to rise by 20% to 2040, putting the world on track for a long-term global temperature increase in excess of 2°C. An update on climate impacts in Africa shows increased urgency to act. In its latest report, the Intergovernmental Panel on Climate Change identified key risks for Africa: compounded stress on water resources, reduced crop productivity and livelihood and food security, and vector- and water-borne diseases. The impacts that constitute Africa's adaptation challenge include: i) the incidence of extreme heat; ii) arid and hyper-arid land surface is expected to increase further; iii) sea level rise along African coasts is projected to be 10% higher than the global mean; iv) crop production is expected to be reduced across much of the continent as optimal growing temperatures are exceeded and growing seasons shortened; and v) human health will be affected, as rates of undernourishment, child stunting, vector-borne (e.g. malaria) and water-borne (e.g. cholera) diseases are altered by climatic changes. Faced with these challenges, Africa consistently ranks as the most vulnerable continent to climate impacts and the least prepared to address vulnerabilities. The Climate Vulnerability Monitor lists the majority of African countries as "acute" in terms of climate vulnerability. Of the 20 countries most at risk in the University of Notre Dame Global Adaptation Index, 16 are located in Africa (excluding North Africa). Standard and Poor's has identified climate change as one of the two global megatrends impacting sovereign credit worthiness, in most cases negatively and impacting poor countries the hardest.

What are the future priority actions?

Africa

- Mainstream climate vulnerabilities and disaster risk management into development strategies, planning and budgeting;
- Scale up investments in the development of climate knowledge and climate data and services and facilitate their access to users;
- Share climate adaptation experiences across countries and sub-regions in coordination with the RECs; and
- Improve policies and regulations to attract investments to support green development.

Development partners

- Increase support for African countries in their efforts to reduce vulnerability, build resilience and develop green growth activities;
- Support dissemination of climate knowledge and investments; and

- Recognise the potential of the agricultural sector in emission reductions and help develop tools and approaches for their quantification, accounting and valorisation through climate finance mechanisms.

Jointly

- All countries, particularly industrialised countries, should ensure the successful completion in 2015 of an agreed outcome with legal force aimed at a substantial reduction in GHG emissions in the post-2020 period.

Key commitments

African governments have consistently committed to increase access to education, improve its quality and relevance and ensure equity. The introduction of MDGs 2 and 3 to achieve universal primary education with time-bound targets on primary education and gender parity had the positive effect of galvanising support for education, but resulted in a misbalance across educational levels. The Plan of Action for the Second Decade of Education for Africa (2006-2015) adopted a more holistic approach by including gender, teacher development, tertiary education and technical and vocational training. This approach was reiterated in Agenda 2063 and the Common African Position on the post-2015 Development Agenda, which both emphasised the primary role of education in overall socio-economic development and structural transformation. African governments also signed up to the Education for All (EFA) within the Dakar Framework for Action and have committed to develop cost plans to achieve EFA goals, supported by the Fast Track Initiative (FTI) – renamed the Global Partnership for Education (GPE) in 2011.

Development partners committed to support MDG goals of universal primary education and gender equality in education, as well as the EFA Framework for Action. Furthermore, the G7/G8 reiterated its commitments to EFA and its members pledged to meet resource shortfalls. They also committed to create an International Task Force on Teachers for EFA to counteract the limited supply of qualified teachers in LICs. Recent G7/G8 and G20 summits have reiterated the fundamental links between education, labour markets and development, highlighting quality of educational outputs, equitable access and aligning educational policies to labour market demand.

What has been done?

Africa has steadily allocated substantial resources to education. In 2000-12, resources allocated to education increased from 4.2% to 4.9% of Africa's GDP (excluding North Africa). Throughout 2000-12, there has been a policy focus on universal primary education to adhere to the MDGs. Taking 1990 as a base, a significant increase in uptake was registered, from 62 million to 149 million between 1990-2012. This sharp increase is partly caused by the slow pace of Africa's demographic transition and a total fertility rate of 5.1 births per woman. However, budget increases have not been enough to meet requirements created by this large intake. Efforts were made to increase secondary school enrolment which attained 49%, but completion rates for the poorest are as low as 16%. Furthermore,

the unplanned growth in private schooling has made equitable access a serious challenge. The outbound mobility ratio of African tertiary students dropped from 6% to 4.5% in 2003-12, suggesting that domestic higher education systems are expanding steadily and adjusting well to increased demand.

Development partners: ODA support for the education sector in Africa has grown over 10% in real terms since 2003, reaching USD 3.71 billion in 2013 but still far below the 2010 peak of USD 4.44 billion. Support to education has not kept pace with increases in other sectors: it constituted 8.2% of sector allocable aid to Africa in 2013, down from 18.9% in 2003. ODA to basic education in Africa increased by USD 104 million in real terms in 2011-13, accounting for 27% of all education support to the continent. ODA for secondary education dropped by 14.1% in 2010-13. Secondary and post-secondary education respectively accounted for 14% (USD 502 million) and 30% (USD 1.1 billion) of total ODA for education in 2013. These volumes remain incompatible with the Dakar Framework for Action pledge that no country seriously committed to EFA would be left behind due to lack of resources.

What results have been achieved?

Net primary enrolment across Africa has increased by 24% in 1990-2012 to reach 79%, enabling most countries to meet primary enrolment targets. The number of out-of-school children decreased by half in 2000-12, yet Africa (excluding North Africa) still accounted for 2.4 million out-of-school children in 2012. Completion rates are also improving, although at a lower rate than enrolment. Half of the 46 countries for which data is available recorded at least a 15% increase in completion rates over 2000-11 and more than a quarter doubled their rates over the same period. Completion rates are considered as a measure of education quality: the lower the completion rate, the lower the quality.

Primary education: the increase in primary enrolment matched with insufficient resources results in a unit cost of USD 131 per primary school student in Africa, one tenth of the world average. Pupil/teacher ratios averaging 40:1 in 23 African countries also compromise the quality of learning and teaching. In addition, entering primary schooling at the right age is clearly linked to improved completion rates, but this remains a serious challenge in Africa (excluding North Africa). A recent survey shows that one out of three children in Africa falls short of the minimum learning threshold on numeracy and literacy – leading to critical skills gaps and increasing barriers to social and economic opportunities in life.

More needs to be done to increase completion rates and improve quality. Need to increase investments in post-primary education, including technical and vocational education and training.

The low quality of primary education outputs is one of the drivers towards a lower transition to secondary education.

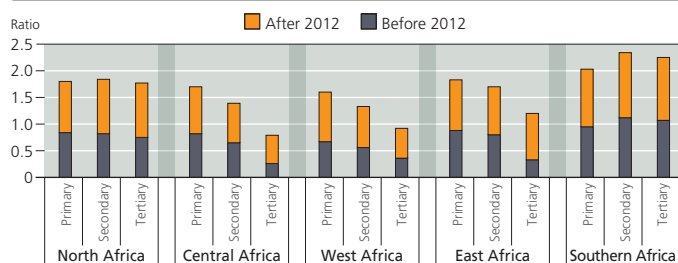
Secondary education: enrolment remains low, although it increased from 29 to 49% over 1999-2011. Despite the increase in lower secondary school enrolment in Africa (excluding North Africa), completion rates remain extremely low at 37% overall and particularly low for the poorest. Secondary education enrolment and completion are essential to be able to access more specific technical and vocational training which can encourage productivity gains and contribute to structural transformation.

Tertiary education: Africa (excluding North Africa) has averaged an enrolment growth rate of 8.4% over the past four decades, nearly double the 4.3% global average. There were approximately 4.8 million higher education students in 2010, a twentyfold increase since 1970, and figures are rising. The need to harness higher education and research and development for Africa's priorities is vital, particularly for transforming the continent's commodity-based economies.

Development partners

- Scale up financial assistance in line with Africa's education needs with increased attention to African priorities, including technical and vocational education and training;
- Support comprehensive reform of the EFA to improve delivery and ensure a more holistic approach to the education sector in Africa; and
- Strengthen linkages between African research institutions and those in developed partner countries.

Ratio of girls to boys in primary, secondary and tertiary education in Africa, before and after 2012.



Source: ECA calculations based on UNESCO 2014.

What are the future priority actions?

Africa

- Shift attention from quantity to quality targets and learning outcomes to achieve productivity gains and an overall shift to industrialisation;
- Increase allocation to education to match intake increase and ensure population growth is factored into educational plans to better harness the demographic dividend; and
- Increase investment in post-primary education, including technical and vocational education and training, to address the quantity and quality of teaching and align with skills development for labour market needs.

Key commitments

African governments have strongly committed to scale up investments in health, including by adopting the 2001 Abuja Declaration, the 2006 Continental Policy Framework on Sexual and Reproductive Health Rights, the Africa Health Strategy 2007-15, the 2009 Campaign on the Accelerated Reduction of Maternal Mortality in Africa (CARMMA), the 2011 African Plan towards the Elimination of New HIV Infections among Children by 2015 and Keeping their Mothers Alive, and the 2013 AU Declaration on HIV/AIDS, Tuberculosis and Malaria. In the 2014 Luanda Declaration, African governments reaffirmed the critical role of universal health care in Africa's socio-economic development. They also committed to global health initiatives, including the 2010 UN's Global Strategy for Women's and Children's Health, the 2011 UN Political Declaration on HIV/AIDS and the 2011 UN High-Level Meeting on the Prevention and Control of Non-communicable Diseases.

Development partners: Successive G7/G8 summits have prioritised health, pledging an additional USD 60 billion over 2006-11 to counter infectious diseases and build health systems. Early commitments emphasised HIV/AIDS and specific infectious diseases, particularly through vertical funds and innovative financing mechanisms. More recent commitments have placed increased emphasis on health systems, health worker training and neglected tropical diseases. The G7/G8 also committed to provide drugs and treatment at affordable prices and pledged an additional USD 5 billion to address maternal mortality over 2010-15. Leaders at the UN endorsed the Global Malaria Action Plan in 2008, committing nearly USD 3 billion to cut malaria deaths to near zero by 2015. The 2011 UN General Assembly Political Declaration on HIV/AIDS set clear target outcomes on HIV/AIDS transmission, related deaths and access to treatment by 2015. UN member states also committed at least USD 22 billion to be made available for the global HIV response annually by 2015.

What has been done?

Africa: Health expenditure has increased significantly, from USD 13.6 billion to USD 50.7 billion over 2000-11. Investments in the health sector have modestly increased from 5.6% to 9.1% in 2000-11. In addition, health expenditure as a percentage of total government expenditure marginally increased from 8.7% to 9.7% in 2000-11. Only six AU member states have met the Abuja target of allocating 15% of their national budgets to the health sector.

Development partners: ODA for health in Africa, including reproductive health, increased from USD 2.3 billion to USD 12.2 billion in 2002-13, totalling USD 84.5 billion over the period. Over 41% of total ODA for health in 2013 was dedicated to the control of sexually transmitted diseases including HIV/AIDS, totalling almost USD 5 billion. Generally, external resources for health as a percentage of total expenditure for health rose from 6.5% to 11.8% in 2000-11. Support for basic health has risen six-fold during the past 12 years, from USD 829 million to USD 5.1 billion in 2002-13, now representing over 42% of total ODA for health. This includes malaria (USD 1.5 billion), tuberculosis (USD 386 million) and infectious disease control (USD 411 million). Assistance for health systems and research has remained unchanged since 2006 at around USD 0.9 billion. Support for reproductive health care and family planning represented approximately 9% of health ODA in 2013. Africa has accounted for 63% of Global Fund disbursements (USD 14.6 billion) in 2002-13. Partners have also supported innovative financing mechanisms, including USD 1.5 billion to the Advance Market Commitment pilot for pneumococcal vaccines and the International Financing Facility for Immunisation (IFFIm) which has disbursed USD 2.1 billion since 2006.

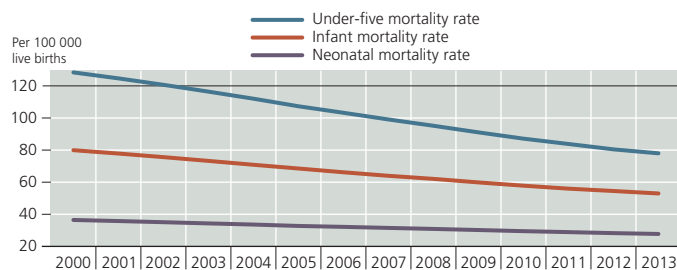
What results have been achieved?

There have been significant improvements in many health indicators in Africa since 1990, although the continent still faces serious challenges with neonatal, under-five and maternal mortality. In addition, the Ebola outbreak in West Africa in 2013-14 brought to the fore the pervasive weak health systems and capacity constraints of many African countries. Notwithstanding these challenges, appreciable advances have been achieved in combating HIV/AIDS, tuberculosis and malaria while mortality rates have continued to decline both in absolute and relative terms. These results were made possible by strong political will, national ownership and sustained increases in health investments by governments. Neonatal deaths have substantially declined from 1990 levels. Under-five mortality rates have notably declined from 146 to 65 deaths per 1 000 live births over 1990-2012, and infant mortality rates declined from 90 to 54 deaths per 1 000 live births over 1990-2014. Eighteen countries reduced their infant mortality rates by more than half over 1990-2012. Starting from the 1990 baseline of 870 deaths per 100 000 live births, Africa has made remarkable progress by bringing down maternal mortality rates (MMR) by nearly 67% in 2013. However, women have continued to die needlessly of preventable causes such as postpartum haemorrhage, hypertension and unsafe abortions.

Significant gains in health-related outcomes in the last 15 years owing to national ownership and improving investments. However, several challenges remain that stand in the way of health-for-all, particularly weak health systems, inadequate numbers of personnel and poor infrastructure.

Putting specific interventions in place, such as increasing availability of skilled birth attendants and emergency referrals especially in rural areas, prevention of postpartum haemorrhage, waiving user fees and expanding access to essential health care for mothers could significantly reduce MMR. **HIV/AIDS:** Although Africa (excluding North Africa) remains at the epicentre of the pandemic with 24.7 million out of the global figure of 35 million people living with HIV in 2014, both prevalence rates and deaths have significantly declined since 2005. Through prevention-of-mother-to-child transmission programmes, new HIV infections among children have drastically fallen by 58% since 2001 and further dropped below 200 000 for the first time in 21 of the most affected countries in Africa. Prevention, access to testing and treatment has also increased remarkably in the last few years.

**Trends in selected health indicators in Africa
(per 1 000 live births), 1990-2013**



Note: See Table 1.4 in Part II – Annexes.

Sources: WHO and AU data.

Africa is now leading the world in expanding access to antiretroviral treatment therapy, with almost ten million recipients in 2013. More specifically, in Africa (excluding North Africa), 90% of people who are aware of their HIV-positive status are receiving antiretroviral treatment therapy. **Tuberculosis (TB):** TB incidence, prevalence and mortality rates have been steadily falling but not fast enough to meet global targets. Reductions are attributed to early detection and access to treatment. However, TB and HIV continue to coexist and reinforce each other in most patients, thereby making treatment and management of the two diseases a challenge for many African countries. Currently, TB remains the leading cause of death among people living with HIV. **Malaria:** In 2013, 82% of malaria cases and 90% of malaria deaths globally were recorded in Africa, with under-five children and pregnant women most severely affected. However, many African countries continue to record significant reductions in both incidence of and mortality, owing to intensified indoor residual spraying and increased use and coverage of insecticide-treated bed nets.

What are the future priority actions?

Africa

- Accelerate implementation of earlier health commitments and mobilise domestic resources to strengthen health systems;
- Pledge to increase budgetary allocations for essential and high impact maternal and newborn child health interventions;
- Strengthen national, regional and continental monitoring and evaluation systems for better implementation of commitments as well as for ownership and accountability; and
- Integrate medical research into responses, and develop and strengthen national and regional health communication systems for communicable diseases.

Development partners

- Support African countries' efforts to strengthen compliance with World Health Organization's (WHO) International Health Regulations and enhance health codes and standards; and
- Build the capacity of African governments, including by aligning funding for strengthening health systems, to prevent, detect and respond to infectious diseases.

Key commitments

African governments made strong commitments to enhance food security, including committing to the MDG 1 target of halving the proportion of people suffering from hunger, the 2003 Maputo Declaration on Agriculture and Food Security, and the 2003 Comprehensive Africa Agriculture Development Programme (CAADP). In the 2014 Malabo Declaration on Accelerated Agricultural Growth and Transformation for Shared Prosperity and Improved Livelihoods, Leaders recommitted to the key principles of CAADP (see Topic 3), including eliminating child under-nutrition by bringing stunting down to 10% and underweight to 5%.

Development partners: Successive G7/G8 and G20 Summits prioritised food security, including: (i) the 2009 AFSI; (ii) the food security pillar of the G20 MYAP and the 2011 G20 Action Plan on Food Security and Price Volatility – which included the Agricultural Market Information System (AMIS), tools to mitigate risk and price volatility, improvements to the functioning and transparency of agricultural financial markets; (iii) the G8's 2012 New Alliance for Food Security and Nutrition; and (iv) the 2014 G20 Food Security and Nutrition Framework. The UN launched the Zero Hunger Challenge in 2012, which was taken forward by the 23 UN entities comprising the High Level Task Force on Global Food Security. Aiming to tackle undernutrition, the international community recently endorsed the Global Nutrition for Growth Compact containing three specific targets to be achieved in 2020. As part of its June 2015 Broader Food Security and Nutrition Development Approach, the G7 aims to lift 500 million people in developing countries out of hunger and malnutrition by 2030.

What has been done?

Africa: The AU Commission established a specialised agency, the African Risk Capacity, to help governments improve their capacity to better plan and respond to extreme weather events and natural disasters. Several RECs have developed regional emergency food reserves to complement existing national reserves. Limited storage capacity coupled with a lack of resources for national reserves have kept agricultural stocks below adequate levels. Regional food reserves are still at an early stage of development, with a seemingly low level of agreement among African countries on the rationale behind their establishment. A limited number of countries provide social support to reduce the impact of food insecurity on vulnerable groups. **Nutrition:** The 2015–2025 African Regional Nutrition Strategy adopts the global targets for nutrition improvements agreed to at the WHO in 2011 and outlines a strategic approach for reaching them. The 2011 Nutrition

Capacity Development Initiative aims to strengthen national capacities to integrate nutrition in the formulation and implementation of National Agriculture and Food Security Investment Plans. **Trade:** Intra-African trade in agricultural commodities and food products is growing steadily and contributing to more stable food markets at regional and national levels. This is a result of policies aimed at reducing existing barriers as well as creating an enabling environment for trade.

Development partners: Total AFSI pledges stand at USD 22.24 billion since 2009. However, a large portion (USD 15.42 billion) represents already planned expenditure. 93% of the total (USD 20.68 billion) had been disbursed by July 2015. Several initiatives under the 2011 G20 Action Plan have been launched, including AMIS. However, wider food security issues remain unresolved, such as policies supporting biofuels that risk diverting agricultural supplies to energy uses and adding to price volatility. In 2014, partners met 44% of the funding requirements for the Sahel Crisis Strategic Response Plan covering nine countries. The Plan's funding for 2015 stood at 32% of requirements as of mid-July 2015. Donors committed up to USD 4.15 billion within the Nutrition for Growth Initiative, of which USD 2.9 billion is core funding with the remainder secured through matched funding. Within the same initiative, an estimated amount of USD 19 billion has been committed for improved nutrition outcomes from nutrition-sensitive investments between 2013–20.

What results have been achieved?

Progress towards the MDG 1 hunger target remains modest with only 14 countries having met the goal by October 2014. The prevalence of undernourishment fell from 27.7% to 20.5% between 1990–92 and 2012–14, significantly slower than other developing regions. However, this modest decline has been outpaced by population growth: the number of undernourished Africans rose from 182.1 million to 226.7 million in the same period. Africa now hosts 28% of the global malnourished population, up from 18% in 1990–92. The prevalence of anaemia in pregnant women has steadily decreased by 16% over 1990–2011 to reach 43.1% on average. However, this is still significantly high compared to Asia's 32.5%. Similarly, the prevalence of anaemia among children has fallen from 70.8% to 58.3%, compared to Asia's 36.1%. The proportion of stunted children under five has decreased from 42% to 35% over 1990–2012. Despite this drop, their number has increased from 46 million to 59 million over the same period. The 2014 Global Hunger Index portrays a similar picture: modest improvements (27.5% on average) in Africa over 1990–2013. The prevalence of underweight children under five fell from 22.6% to 16.9% between 1990–92 to 2009–13,

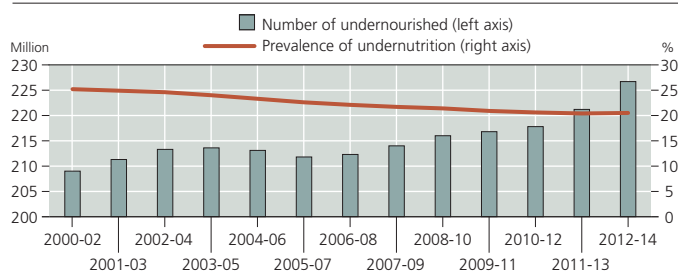
Despite significant progress since 2000, Africa is still far from reaching the MDG 1 hunger target. Progress well outpaced by population growth and lags behind other regions. Africa needs to redouble efforts to enhance availability and access to food.

while mortality under five dropped from 18% to 8.3%. Increasing climate variability (see Topic 7) is exacerbating food insecurity. Regions experiencing combined shocks of drought, high prices and physical insecurity are particularly vulnerable. Food prices in Africa have recently risen significantly as indicated by the Domestic Food Price Level Index: 19.13% as compared to 11.85% globally over 2000-13. Overall, lower prices benefit Africa as a net food importer and reduce individual costs to consumers. While producers with net food sales lose out, a majority of African farmers are net buyers of food and stand to benefit more from lower prices than they lose – at least in the short term. Continental and regional trade initiatives (See Topic 2) such as the recent TFTA will hopefully have a positive impact on national food availability, accessibility and stability.

Development partners

- Deliver remaining AFSI commitments and the Action Plan on Food Security and Price Volatility, including fully implementing AMIS, and adjust the New Alliance for Food Security and Nutrition to better adapt to the African context;
- Align food security activities with African regional and national development, food security, and resilience programmes;
- Provide adequate and effective support for the development of appropriate policy and institutional conditions, and support systems for the facilitation of private investment in agriculture, agri-business and agro-industries; and
- Address wider relevant policy issues including removal of production-distorting subsidies and trade barriers, subsidies for biofuels and restrictions on WFP emergency food exports.

Number (million) and prevalence (%) of undernourishment in Africa, 2000-14



Note: See Table 1.5 in Part II – Annexes.

Source: FAO – Food security indicators, October 2014.

What are the future priority actions?

Africa

- Secure food availability by improving regional coordination of early warning systems, increasing yields, enhancing farming efficiency, establishing improved mechanisms to manage risk, and building food reserves at both national and regional levels;
- Secure access to food by scaling up social safety net programmes and facilitating intraregional food trade flows; and
- Build long-term food security and transform Africa's agriculture by i) implementing CAADP; ii) promoting more inclusive economic growth with a focus on smallholder support; iii) mainstreaming increased climate variability and change, resilience and risk management in national and regional food security strategies; iv) improving political and economic systems to create an enabling environment for dynamic rural growth; v) adopting an agribusiness growth strategy; and vi) conducting progress reviews using the CAADP Results Framework.

Key commitments

African leaders have designated 2015 as the Year of Women's Empowerment and Development towards Africa's Agenda 2063. This is a critical opportunity to accelerate implementation of longstanding commitments on gender equality and women's empowerment: the Dakar and Beijing Platforms for Action (1995), the 1979 Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), UN Security Council Resolution 1325 on Women, Peace and Security (2000) and MDGs 3 and 5 on promoting gender equality and empowering women and improving maternal health. Africa adopted a number of frameworks to implement its commitments, including 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). The Campaign on Accelerated Reduction of Maternal Mortality in Africa (CARMMA) launched in 2009 is the continent-wide framework for tackling maternal mortality. The African Common Position on the post-2015 Development Agenda includes the achievement of gender equality and women's empowerment as a priority pillar. Finally, Agenda 2063 recognises gender equality as a prerequisite to the continent's transformation and an aspiration in its own right.

Development partners have adopted gender equality as a key principle of their support and partnership with Africa. In the 2011 Busan Partnership Agreement, they committed to accelerate efforts to achieve gender equality through development programmes grounded in country priorities, recognising that gender equality is critical to achieving development results. OECD-DAC members apply the DAC Gender Equality Policy Marker to track aid targeting gender equality. In 2015, the OECD-DAC introduced a new code to track aid in support of ending violence against women and girls, including female genital mutilation and early and forced marriage. At the July 2015 Third International Conference on Financing for Development, UN members reaffirmed their strong commitment to ensuring gender equality and women's empowerment through targeted actions and investments. Delivering on these commitments will be critical for implementation of SDG 5 – achieve gender equality and empower all women and girls – when the SDGs are adopted in September 2015.

What has been done?

Africa: Of the 52 African countries that have ratified CEDAW, 13 have undertaken a self-assessment of CEDAW implementation using the ECA African Gender and Development Index. Thirty-six countries have ratified the Protocol to the African Charter and

the same number has reported progress in implementing the Solemn Declaration. Fifty-one countries (a 94.4% response rate) submitted national review reports on the 20-year implementation of the Beijing Platform for Action. **Education:** a majority of countries have introduced universal primary education and actions to make the school environment more gender responsive. Targeted policies and programmes, including conditional cash transfers and special measures to address early pregnancy are being implemented to promote girls' enrolment and retention. **Health:** Forty-four countries have started implementing CARMMA. The proportion of deliveries attended by skilled health personnel has increased from 56% to 68% in 1990-2012 and access to four or more cycles of antenatal care during pregnancy has increased from 37% to 52% during the same period. **Economic empowerment:** Over 50% of African countries have integrated special provisions for women in their national poverty reduction strategies. **Violence against women:** The launch of the Africa UNiTE Campaign in 2010 as part of the UN Secretary General's UNiTE to End Violence against Women Campaign was a milestone. Fifty-one countries have enacted legislation to prevent and eliminate violence against women and girls. Forty countries have developed economic empowerment programmes in support to survivors of violence against women. However, only 14 African countries have developed national action plans to implement UN Security Council Resolution 1325 and women's participation in African peace processes remains low.

Development partners: Over 2010-13, an annual average of USD 9.56 billion (constant 2013 prices) in bilateral support to Africa from OECD-DAC members had gender equality as a principal or significant objective. The total and the distribution were fairly constant over this period. Approximately half was focused on the health, education and water sectors and 18% on government and civil society. Almost a quarter was dedicated to agriculture, forestry and fishing.

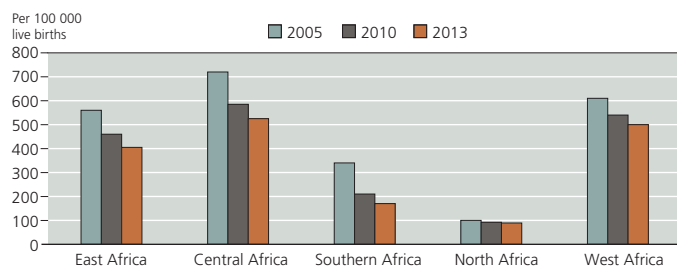
What results have been achieved?

Africa has made many strides over the last decades, especially in the social and political sectors, although progress in the economic sector remains low. Socio-cultural norms, gender inequality in the labour market and the burden of unpaid care work continue to prevent women from reaching their full potential. **Education:** There is continued improvement in the ratio of girls to boys enrolled in primary school: of 48 countries with data, 18 have achieved gender parity in 2011, 28 countries have an index between 0.8 and 0.9 and two have an index of less than 0.8. The gender parity index

Strong recognition of gender equality as a pre-requisite for Africa's inclusive and transformative development. While remarkable progress was registered in the social and political sectors, the gender gap in the economic sector remains wide and calls for greater targeted action.

is higher among higher income countries than among lower income countries. Progress is slower at secondary school. Of the 43 countries for which data is available, 12 have achieved parity at secondary level as of 2013. Nine have more than the target parity level of 1.03 suggesting that many countries are lagging behind. Little or no progress was achieved at the tertiary level. Of the 36 countries with data, eight have achieved gender parity at tertiary education, nine have less than 0.40 parity, suggesting high levels of gender inequality.

Maternal mortality median rates (per 100 000 live births)



Source: 2015 ECA's compilations from various sources.

Health: Maternal mortality rates fell by 47% over 1990-2013. However, this achievement hides wide regional variations. Despite important progress, Africa continues to account for 63% of global maternal deaths. **Economic participation:** Women's participation in non-agricultural paid jobs increased from 23% to 33% in 1992-2012, the most impressive increase compared with other regions. However, the overrepresentation of women in the informal sector in which working conditions are often precarious, gender occupational segregation and gender wage gaps require greater action. **Political representation:** Remarkable strides can be observed in women's participation in politics. Africa is the third region in terms of women's participation in national parliaments and in political decision-making organs. Most countries have increased women's participation in parliament. Some, however, are still lagging behind with very low proportions. Three countries have more 40% of women in parliament and seven have more than 30%.

What are the future priority actions?

Africa

- Accelerate women's economic empowerment, including facilitating their equitable access to decent jobs and financial resources and services, technologies and regional and international markets;

- Accelerate implementation of CARMMA, including through a sharp increase in health personnel and infrastructure with a special attention to rural and remote areas;
- Enforce existing anti-discriminatory laws and adequately resource national policies and plans on gender equality;
- Invest in the collection, analysis and use of sex-disaggregated data and gender statistics; and
- Increase women's participation and influence in conflict resolution and peace building processes.

Development partners

- Integrate gender equality analysis and objectives into all support to Africa and increase financing for standalone gender equality and women's empowerment programmes, particularly across productive sector programmes such as agriculture, mining, construction, trade and tourism; and
- Invest in national statistical capacity to collect, analyse and use data disaggregated by sex and gender responsive statistics to inform policies, and integrate targets for gender equality in accountability mechanisms.

Key commitments

African Leaders have committed to the universally-accepted principles of democracy, good governance and protection of human rights. They have promulgated and adopted several initiatives, measures and declarations, in particular the 2001 AU Constitutive Act, which adopted a zero-tolerance policy towards unconstitutional changes of government. The African Peer Review Mechanism (APRM) was established in 2003 to promote a culture of national dialogue and to monitor progress. The Protocol for the African Court on Human and Peoples' Rights came into force in 2004. The African Charter on Democracy, Elections and Governance and the Declaration on Democracy, Political, Economic and Corporate Governance were adopted in 2007, as well as measures to protect and promote human rights, including the Human Rights Strategy for Africa. The Charter has been signed by 45 of the AU's 54 member states and ratified by 23 countries. The AU has also developed a framework for monitoring its implementation. Building on these commitments, a Pan-African Governance Architecture (AGA) was established in 2011 to serve as an overall political and institutional framework to facilitate, co-ordinate and harmonise various governance frameworks and institutions that advance the democracy and good governance agenda in Africa.

Development partners have committed to supporting governance and democracy building in Africa. They have emphasised competitive multiparty elections, respect for human rights, democratisation, state reform, decentralisation, the rule of law, domestic accountability, civil society participation and anti-corruption. In 2002, the G7 committed to establish enhanced partnerships with African countries whose performance reflects NEPAD and APRM commitments to good governance and human rights. The 2007 Joint Africa-EU Strategy seeks to strengthen the political partnership and enhance co-operation at all levels, including the promotion of democratic governance and of human rights, which constitutes a central feature. Through this framework, the EU has anchored its support to the APRM and its related processes, and other continental and national institutions and initiatives to strengthen and consolidate the AGA.

What has been done?

Africa: There has been substantial progress in advancing democracy and political stability since 2000. Most countries have embraced parliamentary rule and political pluralism while others continue to face significant challenges. The 2014 Ibrahim Index of African Governance (IIAG) shows that over 2000-13, overall governance improved in 34 of 52 countries. However, eight countries involved

in internal armed conflict saw their governance deteriorate dramatically. Over the past five years, the highest performance improvements were in the IIAG's two categories of Participation and Human Rights and Human Development. However, in the IIAG's Safety and Rule of Law category, 27 countries saw their situation deteriorate, mainly due to a lack of accountability and domestic armed conflict. **Elections:** Since the 1990s, elections have become more regular in Africa as a tool for leadership change and political accountability. In most countries, elections facilitated the emergence of democratic governments, whereas in some countries, they have been the trigger for insecurity and tensions. Between 2013 and mid-2015, 31 countries held free and fair presidential and parliamentary level elections, with a significant reduction in election-related violence. **APRM:** Thirty-five countries – comprising more than 75% of Africa's population – have voluntarily adhered to the APRM since its inception. Seventeen have been peer-reviewed and are currently implementing their APRM National Plan of Action. However, because of lack of resources, the implementation rate of National Plans of Action remains low.

Development partners have sought to strengthen the capacity of the AGA, APRM, African Court on Human and Peoples' Rights, Pan-African Parliament and African Commission on Human and People's Rights. In 2010, the AU and EU initiated a dialogue on governance and human rights to encourage shared values and co-operation. Support to the APRM processes has been provided through a United Nations Development Programme (UNDP) Trust Fund, helping countries conduct self-assessments or design national plans of action. Support for elections has been modest, reaching USD 219 million in 2013 – a five-year low – but nearly four times the amount compared to a decade ago. ODA supporting democratic participation and civil society has steadily increased from USD 242 million to USD 747 million in 2002-12, down to USD 658 million in 2013. Responding to regional unrest, partners have pledged USD 212.9 million to the 2011 Deauville Partnership Transition Fund to strengthen governance for transparent, accountable governments and providing an economic framework for sustainable and inclusive growth. Four North African countries are among the beneficiary countries of the Transition Fund.

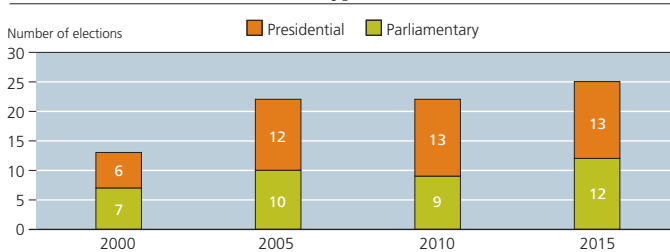
What results have been achieved?

There are tangible achievements and substantial maturation in advancing democracy and good governance in Africa. Political participation has altogether been transformed as multiparty electoral politics become the norm, institutions of governance

Over the past 15 years, Africa has witnessed tangible achievements and substantial maturation in advancing democracy and good governance. However, there is a need to improve the quality and credibility of elections in order to maintain democratic gains.

are entrusted with greater independence and media and civil society become increasingly powerful tools for greater accountability. From 2014 to early 2015, eight countries witnessed peaceful transfers of presidential power. However, after the popular uprisings of the past four years, North African countries still face considerable challenges in rebuilding democratic institutions, as conflict spills over to neighbouring countries. In 2014-15, this phenomenon continued in two countries, as incumbent presidents were removed due to popular demand. In some countries, there are continuing challenges related with the quality and credibility of elections.

Number and types of elections



Sources: Website African Elections Tripod (2000-04); EISA (from 2005 to 2015).

The dominant or one-party system is emerging in Africa and, in some cases, has resulted in election-related conflict, while peaceful elections elsewhere have seen allegations of electoral corruption and intimidation of opponents. Such continued outbreaks reflect not only weaknesses in electoral governance, rules of orderly political competition, and the mechanisms to interpret and adjudicate electoral disputes, but also the underlying challenge of managing diversity and promoting social inclusiveness and participation through the electoral process.

What are the future priority actions?

Africa

- Complete the operationalisation of the AGA to enhance the structures and processes of regional organisations, build public institutions and improve the lives of African people;
- Improve the quality of elections in order to maintain democratic gains;
- Improve democratic governance, individually and collectively, through established mechanisms such as the APRM; and
- Accelerate the pace of APRM implementation, in particular peer reviewing, encouraging additional countries to adhere, and implementing the APRM National Plans of Action.

Development partners

- Provide ongoing support to Africa's electoral processes, including voter education and multiparty political culture building, the judiciary, civil society and the media;
- Provide all-inclusive support to continental and regional efforts to improve all aspects of democracy building and political governance, including deepening co-operation with the AU in electoral observation and, when requested, provide practical and financial support for APRM implementation; and
- Align support alongside Africa's priorities through established frameworks for implementation.

Key commitments

African governments made several milestone commitments to strengthen their economic governance performance in three broad areas: macroeconomic policy management, public financial management (PFM) and combating corruption. These commitments are enshrined in the 2001 AU Constitutive Act, the 2002 NEPAD Declaration on Democracy, Political, Economic and Corporate Governance, the 2003 AU Convention on Preventing and Combating Corruption (AUCPCC) and the 2003 Declaration on Democracy, Political, Economic and Corporate Governance. The AUCPCC addresses bribery and money laundering and asset recovery, as well as corruption in the private sector. African countries agreed to an action plan to implement the 2009 Africa Mining Vision and many have signed up to the Extractive Industries Transparency Initiative (EITI). At the sub-regional level, the SADC Protocol against Corruption entered into force in 2005, making it the first sub-regional anti-corruption treaty in Africa. The ECOWAS adopted the Protocol on the Fight against Corruption in 2001, but it is yet to enter into force.

Development partners are supporting African efforts in these areas and tackling related issues within their own jurisdictions. In 2006, the G8 committed to establishing effective mechanisms for the recovery of assets. In 2012, G8 countries agreed to specific actions to increase transparency in the extractives industries, including seeking candidacy status for the new EITI standard by 2014. G7 Leaders also endorsed a Compact on Economic Governance for the Deauville Partnership in 2015 that promotes key policy objectives to promote good governance and a sound business climate. In their 2015-16 Anti-Corruption Action Plan, G20 Leaders committed to taking concrete, practical action in the fight against corruption. Partners have also made related commitments to promote responsible business (see Topic 5), greater tax transparency (see Topic 15) and greater aid transparency (see Topic 17).

What has been done?

African governments have taken significant initiatives to implement their commitments. Economic and corporate governance is one of the key thematic areas of NEPAD. The APRM was introduced in 2003 with one of its four focus areas being the promotion of good economic governance including transparency in PFM. Many African countries have made notable efforts to develop more rigorous macroeconomic management. They have instituted PFM reforms including: ensuring a more participatory approach to budget preparation through consultations with a range

of stakeholders; restructuring of national revenue administrations; streamlining procurement processes and strengthening oversight institutions. However, progress remains constrained by a persistent lack of transparency and accountability as well as capacity deficiencies and institutional inefficiency. **EITI:** As of September 2015, 17 African countries were designated as EITI compliant, three were EITI candidates and two countries are currently suspended for failing EITI requirements. An African-led initiative, the Kimberly Process Certification Scheme (KPCS), was created in 2000 to address illegal producing, exporting and importing of rough diamonds. As of July 2015, 19 African countries had met the minimum Kimberly requirements. To date, 35 African countries have ratified the AUCPCC and 46 have ratified the UN Convention against Corruption (UNCAC). Co-ordinated anti-corruption mechanisms remain active on the continent. The 2011 African Association of Anti-Corruption Authorities aims to strengthen co-operation in detecting, tracing and recovering assets as well as investigating corruption cases. The 2013 Commonwealth Africa Anti-Corruption Centre aims to reduce corruption in Commonwealth African countries. The High Level Panel on Illicit Financial Flows (IFF) from Africa issued its final report in 2015, containing recommendations to African governments and international stakeholders, including on curtailing trade-related illicit flows such as trade mis-invoicing as well as institutionalising global efforts to address IFF.

Development partners: Between 2002 and 2013, ODA for PFM and anti-corruption efforts in Africa steadily increased, averaging USD 713 million annually and reaching a high of USD 1.1 billion in 2010. In 2014, the G20 continued its anti-corruption efforts, giving particular attention to transparency of beneficial ownership of legal persons and arrangements and to the enforcement of foreign bribery legislation. G20 Leaders endorsed the High-Level Principles on Beneficial Ownership Transparency, which outlines concrete actions to ensure legal entities are transparent and not being misused for illicit purposes. They also endorsed the global Common Reporting Standard for the automatic exchange of information (AEOI Standard); 93 jurisdictions have committed to implement the AEOI Standard on a timeline that will see the first automatic exchanges take place in 2017 and 2018. As of November 2014, 18 G20 countries ratified UNCAC and the remaining two countries have committed to do so as a matter of priority. Also in 2014, 18 G20 countries completed individual self-assessments of their implementation of their G20 foreign bribery commitments. In its 2014 assessment of enforcement of the OECD Convention on Combating Foreign Bribery, Transparency International recorded active enforcement in four signatory countries, moderate

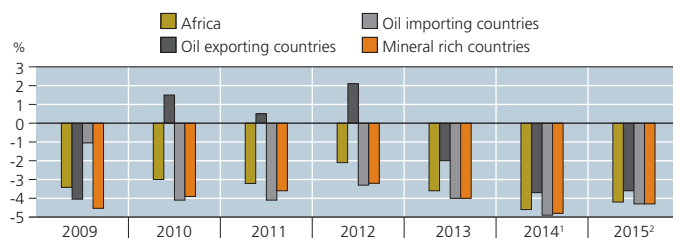
Increased compliance mechanisms required to sustain improvements in public financial management. Accelerated efforts needed, at African and international levels, to combat corruption and illicit financial flows.

enforcement in five, limited enforcement in eight and little or no enforcement in 22 signatories. A 2014 OECD study concluded that there was a mixed record among OECD countries in implementing anti-money laundering regimes (essential for tackling illicit flows), with significant weaknesses in due diligence and the availability of beneficial ownership information. Twenty-seven of 34 OECD countries require insufficient beneficial ownership information for legal persons. As of 2012, 221 individuals and 90 companies were sanctioned for foreign bribery; around half of OECD countries however have yet to see a single prosecution. Although some countries have incorporated provisions helping in the recovery of stolen assets, significant barriers remain and international co-operation is slow and cumbersome. Between 2010 and 2012, OECD countries have returned USD 147 million and frozen almost USD 1.4 billion of stolen assets.

What results have been achieved?

Improved economic governance and management has contributed to growth in many African countries. The fiscal deficit narrowed between 2000 and 2008 mainly because of the commodity boom and greater attention to PFM. However, post-2008, Africa's fiscal deficit (excluding North Africa) widened to reach 3.3% in 2014, because of expansionary fiscal policies and lower revenue from oil and other commodities. The weakening fiscal position will require further fiscal adjustment including efforts to improve PFM and to re-prioritise public spending. **Public resource management:** Some improvements in the management cycle have been made, such as in budget planning and preparation.

Average budget balance, 2009-15 (% of GDP)



Note: See Table 1.6 in Part II – Annexes.

1. Estimates.

2. Projections.

Source: ECA (2015), Economic Report on Africa, Addis Ababa.

However, progress is mixed, with half of the 20 countries reviewed for which PFM data is available showing no clear trend and approximately a quarter with deteriorating PFM systems. **Transparency:** Africa (excluding North Africa) had an average score below the global average according to the latest 2012 Open Budget Survey

(31 out of a possible score of 100, compared to global average of 43). North African countries covered had an average score of 19.

Corruption: Progress for Africa continues to be slow, with the 2014 Transparency International's Corruption Perceptions Index giving an average score to Africa (excluding North Africa) of 33/100, below the global average of 43/100.

What are the future priority actions?

Africa

- Improve transparency in PFM systems;
- Promote and establish capable governance-related institutions to strengthen compliance to legal and regulatory frameworks for economic governance; and
- Strengthen the monitoring of financial disclosures and building capacities for enforcement of anti-corruption legislation.

Development partners

- Continue providing support to the APRM and to PFM and anti-corruption efforts in Africa;
- Continue supporting the EITI and promote transparency of payments made by companies to African governments, in all sectors; and
- Intensify efforts to repatriate stolen assets to Africa.

Key commitments

African Leaders agreed in the 2001 AU Constitutive Act on the need to promote peace, security and stability as a prerequisite for the implementation of the continent's development and integration agenda. This led to the establishment of the African Peace and Security Architecture (APSA). The Peace and Security Council (PSC), the central pillar of APSA, has become the focus of collective security decisions. Other key APSA components include the African Standby Force (ASF), the African Peace Fund (APF), a Panel of the Wise and a Continental Early Warning System. Recent commitments have reaffirmed the principle of African solutions for African problems, building on pledges to consolidate progress, strengthen institutional capacities, secure flexible but predictable funding and build relationships with the UN and other partners. African governments also adopted a number of common positions, including on the Proliferation, Circulation and Trafficking of Small Arms and Light Weapons, the Prevention and Combat of Terrorism, the Prevention and Control of Organized Transnational Crime and the Protection of and Assistance to Internally Displaced People.

Development partners have made commitments in three areas: support to African efforts in peacebuilding, including through commitments to respond to African requirements in an effective and well-coordinated way, 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?

Africa: In the past few years, there has been renewed and sustained effort to operationalise APSA components. These positive developments are a reflection of the sustained commitments of African Leaders. The PSC is playing an important role, demonstrating keen resolve and potential to promote stability, prevent conflicts, facilitate peace processes and support post-conflict reconstruction activities. In 2012, the PSC articulated Africa's Integrated Maritime Strategy as a framework for the protection and sustainable exploitation of Africa's maritime domain. Several steps were taken towards fully operationalising the African Standby Force by 2020. The Economic Community of Central African States (ECCAS) successfully conducted its first military exercise and the East African Standby Force Coordinating

Mechanism attained full operational capability. The African Capacity for Immediate Response to Crises, a temporary multinational African standby force, was set up in November 2013. It will be replaced by the ASF when it becomes operational. The AU has conducted a number of peace operations, ranging from election support, hybrid missions and full-scale peace enforcement operations. Overall, the participation of African peacekeepers in UN, AU and regional missions in Africa has increased substantially; reaching more than 25 000 in 2015 and six African countries are in the top ten providers of uniformed personnel to peacekeeping missions. More than 100 000 uniformed peacekeepers were deployed in Africa in early 2015, twice as many as the decade before. As of May 2015, there were nine UN peacekeeping missions in Africa supported by more than 80 000 troops (80% of all UN peacekeepers are deployed in Africa) and 15 000 civilians. Peacekeepers in Africa are tasked with increasingly broad mandates, including civilian protection, counter terror and counterinsurgency operations, and operations increasingly depend on partnerships between the UN and the AU. Leaders in Africa and within the UN have called for African forces to play a larger role in securing peace and stability on the continent, but budget constraints persist. While the UN has a regular peacekeeping budget, the AU must continually seek out donors to fund its missions. Only 2.3% of the AU's budget comes from AU member states.

Development partners: ODA flows to Africa for peace and security, conflict prevention and resolution increased more than threefold between 2000-13, from USD 455 million to USD 1.33 billion (2013 constant prices). Dialogue and collaboration between the UN and the AU has greatly intensified in recent years, as demonstrated by numerous collaborative efforts, consultative mechanisms on peace and security challenges, including on peacekeeping, early warning, and conflict prevention. Since 2006, the UN Security Council and the PSC have held annual consultative meetings to co-ordinate their actions. Through its Common Security and Defence Policy, the EU participates and leads in nine missions and operations in Africa. The AU-EU strategic partnership has led to enhanced and expanded dialogue between the PSC and the EU Political and Security Committee. EU efforts consist of providing diplomatic backing, capacity building activities as well as mediation and peace building programs at the continental and regional levels. Through the African Peace Facility, the EU has committed nearly USD 1.3 billion towards peace and security in Africa. EU's continued funding has strengthened the engagement of the AU, RECs and regional

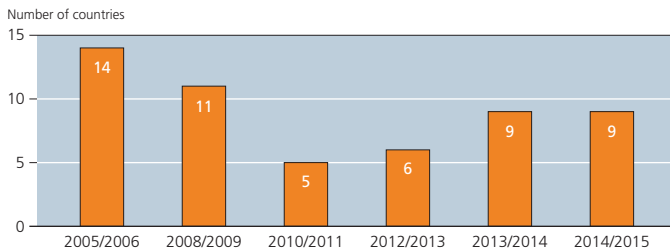
Significant African-led achievements in reducing conflict over the last decade. However, new conflicts in 2014 demonstrate the need for continued African efforts and ownership for resolving conflicts, with co-ordinated international support.

mechanisms (such as the East African Standby Force Coordinating Mechanism) in their efforts to confront Africa's security challenges. The EU supports AU missions in the Horn of Africa, Central Africa and the Sahel Region. Moreover, the EU provided significant support to a number of country level reconciliation efforts through the AU's Early Warning Mechanism in the framework of the African Peace Facility.

What results have been achieved?

There has been a significant reduction in the number of conflicts since the 1990s and one region affected by long-term civil unrest that drew in a number of countries has now become stable. Even though there is a resurgence of new conflicts in the past two years, the number of countries currently experiencing internal conflict has also been reduced to ten, down from 14 ten years ago. In 2014, the PSC enhanced its peace building and reconciliation efforts in eight countries and engaged with over 20 countries that held national and sub-national elections.

Number of countries experiencing conflict in Africa



Source: ECA, based on various data sources (see Peace and Security references – Annexes).

What are the future priority actions?

Africa

- Address the drivers of conflict by fully implementing agreements relating to conflict resources and the spread of small arms and light weapons;
- Intensify co-operation with the EU regarding the African Integrated Maritime Strategy;
- Continue efforts at continental and regional levels to prevent, manage and resolve conflict, including through African-led peace operations; and
- Re-establish the balance between the different APSA components by targeting resources for early warning and early intervention, the Panel of the Wise and other conflict management tools.

Development Partners

- Continue supporting continental, regional and sub-regional mediation initiatives;
- Provide practical resources where needed in support of peace making and peace building capacities;
- Enhance efforts to address the illicit trade in natural resources, narcotics, and increase maritime security; and
- Address collectively, and through sustainable solutions that protect human life, the challenge of human trafficking and migration.

Key commitments

African governments made a number of commitments to increase domestic resource mobilisation (DRM), beginning with the 2001 NEPAD Founding Statement. The NEPAD Orientation Committee endorsed the NEPAD-ECA Study on Mobilizing Domestic Financial Resources in January 2014. The 2014 Dakar Agenda for Action called for Africa to look more purposefully inwards to raise additional resources. In the Common African Position on the post-2015 Development Agenda, Leaders committed to improve DRM by ensuring financial deepening and inclusion; strengthening tax structures, coverage and administration; carrying out fiscal reforms; deepening financial markets and curtailing illicit financial flows (IFF). At the July 2015 Addis Ababa International Conference on Financing for Development, they also committed to work to improve the fairness, transparency, efficiency and effectiveness of their tax systems.

Development partners: Supporting developing country efforts to mobilise domestic and international financial resources were major commitments of the Monterrey Consensus, re-affirmed at Doha in 2008. The DRM pillar of the 2010 G20 MYAP includes commitments to: i) support the development of more effective tax systems; and ii) support work to prevent erosion of tax bases in developing countries. In 2014, G20 Leaders affirmed the principle that profits should be taxed where economic activities deriving the profits are performed and where value is created. The G7/G8 reaffirmed its support to developing countries to strengthen their tax base through tackling tax evasion and IFF. In Addis Ababa in July 2015, partners committed to strengthen co-operation to support efforts to build tax capacity in developing countries, including by doubling their support in the area by 2020.

What has been done?

Africa: Over the past 15 years, significant strides were made in improving revenue mobilisation efficiency, addressing weaknesses in public financial management and strengthening tax administration capacity. More recently, a concerted effort has been made towards addressing IFF, which represent a significant drain on public resources. The High Level Panel on Illicit Financial Flows from Africa published its report in February 2015 and extensive advocacy outreach activities are underway to sensitise relevant stakeholders. Many countries have improved revenue mobilisation efficiency by broadening their tax base and establishing semi-autonomous revenue agencies. The African Tax Administration Forum (ATAF), with 36 member countries, has established a Base Erosion and Profit Shifting (BEPS) Working Group to help to tackle

revenue-losing cross-border pricing practices by multinational corporations. An increasing number of African countries have transfer pricing legislation in place to address cross-border pricing but face significant capacity challenges. Twenty-two African countries are party to the Extractive Industries Transparency Initiative (EITI). As of September 2015, 17 have met all the EITI standard requirements, three are in the implementation stage, and two countries are currently suspended for not meeting EITI requirements.

Development partners: The OECD works with the G20 and developing countries to reform international tax rules through the G20/OECD BEPS Project, including identifying and addressing the most pressing BEPS-related issues for LICs. The OECD and other development partners have scaled up support to build effective regimes to address transfer pricing and other BEPS issues. Six African countries participate directly in the decision-making bodies of the BEPS Project. ATAF is also participating. By end-2015, the BEPS Project will have completed a report on the issue of tax incentives and toolkit on transfer pricing comparables. The OECD Global Forum on Transparency and Exchange of Information for Tax Purposes – which includes 20 African countries – works to implement internationally agreed standards of transparency and exchange of information in the tax area. Through its Africa Initiative, the Forum will team up with its African members to raise awareness of domestic and international benefits of exchange of information and build capacities for implementation. Eight African countries have now signed the Convention on Mutual Administrative Assistance in Tax Matters and four others have signed the Multilateral Competent Authority Agreement.

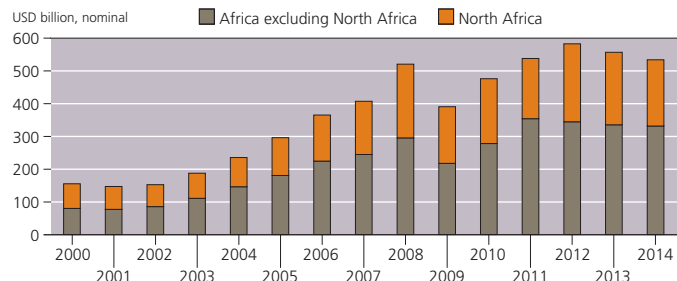
What results have been achieved?

Africa has made great progress increasing taxation revenues. Total government revenue excluding grants has increased by approximately 70.9% in 2000-14. The global economic crisis caused a sharp fall in public revenue in 2009, mostly in oil exporters. Government revenue recovered to reach a new high of USD 583 billion in 2012, but has declined in the past two years due to weak commodity prices. Most particularly, total government revenue as a share of GDP fell to 21.8% due to the combined impacts of weak commodity prices but also as the result of the upward revisions of GDP figures in countries now using the latest standards for national income accounts known as SNA 2008. The decline has been sharpest among oil exporters, which have experienced over a 10% drop in the revenue/GDP ratio, reaching a low of 15.1% in 2014. From a global perspective,

Domestic revenue has shown significant growth but trend is slackening in recent years. More effort needed to strengthen tax administrations, tackle tax avoidance and evasion as well as intensify international efforts to address illicit financial outflows from Africa.

DRM in Africa (excluding North Africa) remains weak compared to other regions. African countries still face a number of challenges. Free trade arrangements within Africa and with international partners, together with the use of tax competition to attract FDI, have put pressure on reducing the tax base in many countries.

Domestic public revenue mobilisation (USD billion, nominal)



Sources: IMF, *Regional Economic Outlook, SSA* (April 2015) and World Economic Outlook database (April 2015).

In spite of efforts by many governments to reduce total tax rates on businesses in line with a worldwide trend, African companies still face the world's heaviest tax burden, both in terms of high rates and cumbersome regulations. **Domestic savings:** The gross national savings rate for African countries (except North Africa) increased from an average of 17.1% of GDP in the pre-Monterrey period to 23.8% in 2006 but has since dropped back in the past three years, reaching the lowest level in the last 15 years of 16.7%. The low savings rates also reflect the inadequacy of financial systems in many African countries in helping to mobilise capital.

IFF: The level of domestic revenue continues to be affected by IFF and tax evasion: trade mispricing accounted for the bulk of illicit outflows. The High Level Panel indicated that IFF from Africa is estimated at USD 50 billion annually. The Global Financial Integrity reported estimated average yearly IFF outflows from Africa of about USD 65 billion over 2010-12. Equally significant was the fact that IFF outflows through trade mispricing from Africa grew by over 30% in 2000-09, a much higher rate than those experienced by other developing country regions.

What are the future priority actions?

Africa

- Continue to strengthen tax administration efforts including
 - i) addressing capacity constraints, ii) reforming ineffective tax incentives to attract FDI, and iii) tackling tax avoidance and evasion;

- Promote the development of innovative domestic financing mechanisms adapted to country-specific circumstances; and
- Promote continental and global efforts to reduce IFF from the continent, including greater transparency, particularly for resource-rich countries and ensuring equitable dividends from the exploitation of natural resources.

Development partners

- Step up efforts for increased and improved development co-operation in support of tax matters in Africa, including addressing transfer pricing and other BEPS issues; and
- Intensify global governance co-operation relating to IFF through improved exchange of tax information, and discourage the absorption of IFF.

Key commitments

African governments have made a number of commitments towards encouraging and boosting foreign direct investment (FDI) and other private capital flows. Beginning with the 2001 NEPAD Founding Statement, they have made great efforts to promote the deepening of financial markets, enhance cross-border financial market harmonisation and integration, and improve the business environment to encourage both domestic and foreign investment (see Topic 5). More recently at the regional consultation for the July 2015 UN Conference on Financing for Development, African governments highlighted the need to reduce the cost of remittances and to encourage the awareness and use of diaspora bonds for development initiatives.

Development partners have – since Monterrey – reaffirmed their support to increased foreign investment. In the Doha Declaration, member states agreed to strengthen efforts to maximise linkages between foreign investment and domestic production activities. In 2009, the G8 set a goal (adopted by the G20 two years later) of reducing the transfer costs of remittances from 10% to 5% in five years by 2014. In 2010, the G20 committed to support responsible value-adding private investment in developing countries. In 2013, the G20 mandated the OECD to develop high-level principles that seek to foster consistency in approaches for long-term investment in an effort to promote the participation of institutional investors. At the July 2015 UN Conference, development partners pledged to ensure that remittance charges are lowered to 5% by 2030. They also committed to strengthening support for the implementation of investment promotion regimes.

What has been done?

African governments continue to prioritise policies to attract FDI. Over the last decade, they have increasingly permitted foreign ownership in a variety of sectors. Over 1 450 bilateral investment treaties and other international investment agreements have been signed by African countries, helping improve investor protection and the investment climate. Several sub-regional initiatives have been established to attract greater investment flows including: the EAC's Payment and Settlement Systems Integration project; the ECOWAS Investment Code and Policy; efforts by SADC to develop templates for bilateral investment treaties as guidance for its members; and COMESA's Regional Investment Agency which aims to promote the region as a Common Investment Area. The AU has created the African Institute for Remittances to build the capacity of African countries to leverage remittances for development.

Many countries have rendered exclusivity contracts illegal to reduce remittance costs.

Development partners: The NEPAD-OECD Africa Investment Initiative has helped raise the profile of Africa as an attractive investment destination and highlight the African perspective in international dialogue on investment policies. The EU and AU are supporting a study on the development of a Pan-African Investment Code, a set of common guidelines to simplify investment-related legislation using existing best practices at national and regional levels in Africa. International agencies led by UNCTAD have developed indicators for measuring and maximising economic value-added. The Global Remittances Working Group has launched initiatives on remittance data collection, migration and development connections, payment and market infrastructure, and access to finance.

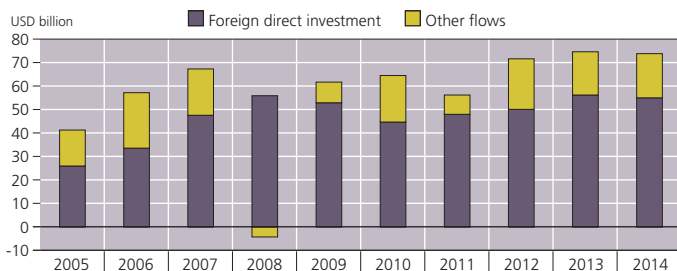
What results have been achieved?

Private capital flows to Africa have almost doubled in the 2005-14 decade, reaching an estimated 3% of regional GDP with FDI accounting for the bulk of inflows. Africa's share of global FDI continues to rise, reaching 5.7% in 2013. In 2012-14, FDI accounted for 75% of total net private capital inflows to Africa, with USD 42 billion to Africa (excluding North Africa). Despite some recent decline, 750 FDI projects were announced in 2013. This compares to an average of about 390 projects per year before the 2008 crisis. The average size of FDI projects also increased to USD 70 million. Consumer-oriented sectors are beginning to drive FDI growth in Africa. Manufacturing and services now make up about two-thirds of the value of newly-announced FDI projects. Large technology firms, including IBM, Microsoft and Google have started to invest in innovation in Africa; DuPont and other transnational corporations have invested in research and development in agriculture. Also the sharp increase in the number of Asian businesses engaging in Africa provides some impetus to the development of regional and global value chains. Intra-regional FDI has risen significantly in recent years with FDI originating from within Africa accounting for 23% of total FDI inflows in 2013. This has helped integrate small African countries into global production processes with most of the investment concentrated in manufacturing and services. Although modest in size from a global perspective, FDI inflows to Africa have a significant impact on recipient countries. In 2013, seven countries received FDI inflows in excess of USD 3 billion, 12 with inflows in excess of USD 1 billion, and 13 with inflows ranging from USD 500 million to USD 1 billion.

Private capital inflows have grown with increasing diversification. More efforts needed to promote value addition and intra-regional FDI, and to strengthen the management of capital flows to mitigate potential destabilising impact.

According to the UNCTAD FDI Contribution Index, Africa is where transnational corporations contribute the most to the economy in terms of value-added, research and development expenditures and wages. Portfolio equity flows to Africa were dampened by the Euro zone crisis in 2011 and have yet to regain the level of 2010.

Net capital flows to Africa (USD billion)



Sources: World Bank International Debt Statistics, January 2014; World Bank Global Economic Prospects, January 2014; UNCTAD, World Investment Report 2014; IMF World Economic Outlook database, April 2014.

The distribution of portfolio equity in Africa has expanded, with several countries receiving significant amounts of portfolio inflows in recent years which have been encouraged by the establishment of a number of Africa-focused private equity funds. While this reflects a greater interest in Africa, portfolio investments remain vulnerable to rapid flow reversals which can pose serious challenges to fiscal, monetary and exchange rate policies in recipient countries. African governments have widened their investor base by tapping the international bond markets. Favourable global financing conditions encourage a surge in sovereign bond issuance from USD 3 billion in 2009 to USD 13 billion in 2013-14. This rapid accumulation of foreign bond debt however has increased the vulnerability of Africa to abrupt changes in global capital market sentiment. **Remittances:** With increasing global migration flows, remittances, including from transnational diaspora entrepreneurs, have become a more important and reliable source of inflows for many African countries. They have increased six-fold since 2000 and are estimated to have reached USD 67 billion in 2014, constituting the second largest source of external resource inflows to developing countries after FDI. Significant improvements have been observed in the average cost for sending remittances from G7/G8 and G20 countries but they remained, at 7-8% in 2014, significantly above the 5% objective. Africa (excluding North Africa) still has the highest cost of sending money to at 10.2% in early 2015 compared to the global average of 7.7%. The higher cost is equivalent to forgone income of USD 820 million per year.

What are the future priority actions?

Africa

- Improve domestic and regional conditions to attract and better absorb FDI contributions including enhancing value addition;
- Raise awareness among policy-makers of the changing nature of private flows, including a better understanding of the private equity industry; and
- Strengthen management of capital flows to mitigate potential macroeconomic impacts of capital flow surges or reversals.

Development partners

- Support Africa's efforts to strengthen capacity to manage the potential impact of volatile capital flows on their economies and promote and diversify private capital inflows;
- Promote efforts by foreign private companies to enhance the sustainable impact of their investments in terms of value addition and local job creation; and
- Strengthen actions to facilitate remittance flows by reducing transfer costs and explore the securitisation of remittances as a mechanism for raising long-term finance.

Key commitments

African governments have committed to exercise effective ownership over their development policies and systems, strengthen PFM and be accountable for development results. These commitments were set out in the Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda for Action (2008), reaffirmed in the Busan Partnership Agreement (2011) and at the First High-Level Meeting of the Global Partnership for Effective Development Co-operation (GPEDC) in April 2014. The 2011 African Consensus and Position on Development Effectiveness emphasised AU members' commitment to strengthen their capacity for development effectiveness, and the 2011 Africa Platform for Development Effectiveness was instrumental in giving a common voice to the continent's development perspectives, strategies and policies. More recently, the 2014 Africa Action Plan on Development Effectiveness outlines actions in favour of domestic resource mobilisation, South-South and triangular co-operation, regional integration, the private sector and the continued implementation of Busan commitments at country level. It also calls for development co-operation to contribute to building Africa's industrial productive capacity.

Development partners: In 2005, G8 Leaders made specific commitments to raise their ODA to Africa by about USD 25 billion per year by 2010, effectively doubling aid to the continent in real terms. At the July 2015 International Conference on Financing for Development in Addis Ababa, the EU reaffirmed its collective commitment to achieve the 0.7% of ODA/GNI target and to reach 0.20% of ODA/GNI to LDCs within the post-2015 Agenda timeframe. A second category of commitments relate to improving aid effectiveness, particularly in the areas of alignment to countries' policies and systems, harmonisation of practices, transparency and predictability. These commitments were reiterated in Busan and more recently in Addis Ababa, including using country results frameworks, co-ordination arrangements and systems, providing aid on budget, untying aid to its maximum, providing recipient countries with reliable three-to-five year forward expenditure plans, as well as strengthening transparency by approving a common reporting standard by 2015.

What has been done?

Africa: Most governments have made progress in delivering their Paris, Accra and Busan commitments. Many countries have accelerated and deepened PFM reforms. Moreover, new instruments contributing to greater use of country systems have emerged over

the past few years, such as cash on delivery and new budget support modalities aiming to restore public services and building institutions in fragile states. Benefits of using country systems include improving alignment with country policies and increased ownership and domestic accountability, ultimately leading to greater impact and sustainability. However, development partners are still hesitant to use country systems in high-aid receiving African countries. The GPEDC monitoring report indicates that the top half of African countries where donors are using country systems received fewer resources through their systems in 2013 (28% compared to 41% in 2010) than non-African countries (42% in 2013 compared to 31% in 2010).

Development partners: Preliminary OECD-DAC data for 2014 indicates that Africa received approximately USD 28 billion in bilateral ODA, a 5% decrease in real terms from 2013. Excluding debt relief, bilateral aid to the continent fell by nearly 2% in real terms. The main reason was declining ODA from Africa's biggest aid partners. Looking specifically at 2014 trends, total ODA remained at USD 135.2 billion, marginally up from 2013 levels in nominal terms but marking a 0.5% decline in real terms. In all, 13 of the 28 OECD-DAC countries increased their overall ODA in 2014, while 15 reported a decrease. Net ODA/GNI was 0.29% in 2014. Only five countries have exceeded the UN target for an ODA/GNI ratio of 0.7%. In December 2014, the OECD-DAC reached a consensus on how to modernise its statistical framework for development finance (see text box on the new ODA metric). The new framework will provide a better indication of provider effort and hopefully incentivise more and softer terms of concessional finance for countries most in need. **Aid effectiveness:** The GPEDC monitoring framework is composed of ten indicators and targets set for 2015, grounded in the four principles of country ownership, results focus, inclusive partnerships and transparency and accountability. The first monitoring round was completed in April 2014 and the second one will be completed in 2016.

What results have been achieved?

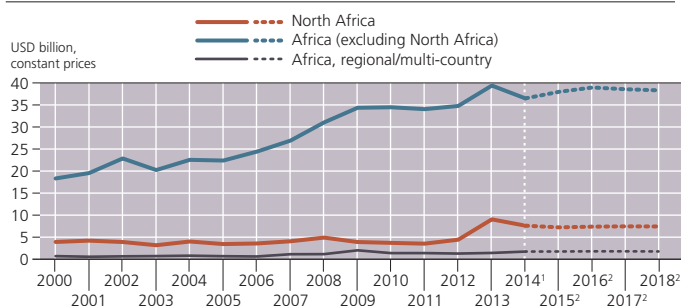
ODA volumes: Reflecting ODA trends mentioned above, Country Programmable Aid (CPA) to Africa continued to fall from USD 50.09 billion in 2013 to USD 45.95 billion in 2014 (preliminary data, 2013 prices). This was largely driven by a significant drop to top aid recipient countries, thus affecting overall ODA levels for both LDCs and others LICs. However, CPA is projected to increase slightly in 2015 as a result of recent replenishments that

ODA to Africa fell in 2014 despite stable global volumes of assistance. Greater effort required to re-target ODA to countries most in need and accelerate improvements in aid effectiveness.

will increase disbursements by multilateral agencies. LDCs and other LICs will benefit the most from this increase, with aid levels expected to grow by 5.7% in real terms (and by 5.8% for Africa – excluding North Africa – due to a rise in concessional lending).

Aid effectiveness: The first GPEDC monitoring round demonstrated that a country-led approach to global accountability is possible. The report shows that more needs to be done to meet 2015 GPEDC targets, particularly on aid untying, transparency and predictability.

Country programmable aid (USD billion, constant prices)



Note: See Table 1.7 in Part II – Annexes.

1. Preliminary data and OECD Secretariat estimates, released 8 April 2015.

2. Projected data.

Sources: stats.oecd.org (Country Programmable Aid), www.oecd.org/dac/stats/documentupload/ODA%202014%20Tables%20and%20Charts.pdf.

Providers are gradually delivering on their commitments to untie more aid (79% in 2012 compared to 77% in 2010); only 14 out of 27 providers have untied 90% or more of their ODA. A quarter of providers do not publish any forward-looking information through common open standard systems, which suggests the need for them to redouble efforts. Transparency of forward-looking information and medium-term predictability remains a challenge. According to the Paris Declaration Surveys of 2006, 2008 and 2011, African countries experienced an increase in the use of their PFM and procurement systems in 2005-10, although wide disparities remain between countries. The GPEDC monitoring report revealed however that in 16 out of 20 African countries, the use of local PFM and procurement systems declined in 2010-13. As mentioned in the Collaborative Africa Budget Reform Initiative's 2014 report, African countries that are more reliant on aid experience lower use of country systems. African countries received less ODA through their country systems than non-African countries. Aid fragmentation and donor proliferation, which increase transaction costs and often come at the expense of recipient country capacity, remain a key concern for African countries.

What are the future priority actions?

Africa

- Continue implementing the Africa Action Plan on Development Effectiveness, including exercising effective leadership and developing capacity to co-ordinate and harmonise donor activities;
- Develop country-level frameworks for monitoring, especially in the context of implementing Busan commitments; and
- Continue strengthening PFM and procurement systems, as well as reinforcing capacity to manage projects using country systems such as audit functions.

Development partners

- Reverse the trend of declining ODA to Africa by adhering to the target for an ODA/GNI ratio of 0.7%, maintaining 2013 levels as a minimum, and using the post-2015 goals to re-target ODA towards countries in greatest need;
- Deliver on Busan commitments, including on country ownership, alignment on African countries' development priorities, improving aid predictability and transparency, and using country systems – notably by relying on existing guidance on the use of country systems; and
- Make efforts to reduce aid fragmentation and donor proliferation.

Key commitments

African governments: At Monterrey, Africa committed to establish comprehensive strategies to monitor and manage external liabilities, embedded in the domestic preconditions for debt sustainability. Heavily indebted poor African countries have taken the necessary policy measures to become eligible for the Debt Relief Under the Heavily Indebted Poor Countries (HIPC) Initiative launched in 1996, by implementing comprehensive national strategies including macroeconomic programmes and poverty reduction strategies.

Development partners: Monterrey called for joint responsibility by debtors and creditors for preventing and resolving unsustainable debt situations, including a speedy, effective and full implementation of the enhanced HIPC Initiative. In 2005, G8 countries committed, through the Multilateral Debt Relief Initiative (MDRI), to cancel 100% of eligible multilateral debts to countries that have completed the HIPC initiative process. In 2011, the G8/Africa Joint Declaration reiterated the call to preserve debt sustainability in Africa. The commitment to support the remaining HIPC-eligible countries was reiterated at the July 2015 International Conference on Financing for Development.

What has been done?

Africa: Most countries continue to make sustained progress in their debt management systems. Many are undertaking efforts to co-ordinate debt management and macroeconomic policies across key government agencies. Debt management units exist in most countries but weaknesses in analytical capacity and information sharing remain important challenges.

Development partners: Since 2000, the HIPC and MDRI initiatives have made significant progress towards a comprehensive debt resolution programme. The World Bank's Debt Reduction Facility (DRF) played a key role in promoting greater creditor participation under the HIPC initiative and helped several HIPCs extinguish commercial debts at a steep discount. Under the Evian approach, partners took action to deal with debt problems of non-HIPC African countries, including partial write-offs. To allow countries with new borrowing space to finance public investment in infrastructure, the World Bank and IMF have revised the Debt Sustainability Framework (DSF), designed to help guide LICs in their borrowing decisions and provide guidance for creditors. In addition, the Centre for African Public Debt Management was launched in 2011 to create stronger securities markets and help build the

necessary market infrastructure in Africa for debt management. In 2014, the World Bank/IMF advisory programme, the Debt Management Facility, was extended to include new streams of technical assistance. Moreover, the World Bank has taken an active stance against vulture funds. The IMF established the Catastrophe Containment and Relief Trust of USD 100 million to cover debt servicing obligations of the three West African countries most affected by Ebola.

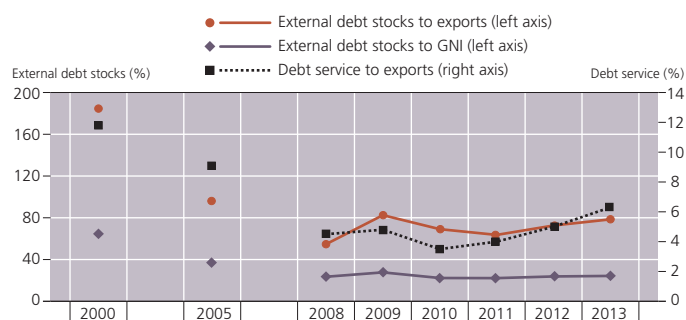
What results have been achieved?

HIPC/MDRI: Thirty of the 33 African countries currently referenced under HIPC have reached the completion point and received irrevocable debt relief under HIPC and 100% debt cancellation under MDRI. Three pre-decision point countries are at the initial stage of the process of qualifying for HIPC debt relief. The total debt relief commitment for all eligible African HIPCs amounted to USD 112.9 billion in nominal terms by end-August 2014. Multilateral agencies and Paris Club creditors bear over 80% of HIPC's cost. Over USD 5.1 billion of external commercial debt has also been written off in 15 African HIPCs supported by the DRF. By helping countries reduce or eliminate commercial debt not covered by the HIPC Initiative, the DRF has also helped reduce the threat of litigation against HIPCs. HIPC and MDRI have reduced the large debt overhang of many African countries and help them increase their poverty-reducing expenditure between 2001-14. External debt stocks as a share of GNI declined from 63.2% to 24.3% in 2000-13. Similarly, the debt-service ratio declined from 11.8% to 6.3% in 2000-13. The DRF was recently extended until July 2017, supporting 25 completed buy-back operations in 22 IDA-only countries, extinguishing approximately USD 10.3 billion of external commercial debt principal and over USD 3.5 billion of associated interest arrears and penalties. Severe debt distress is not a distant prospect for a number of African countries, which have been accumulating external debt at an unsustainable pace. In the majority of post-HIPC countries, external public debt is growing both in nominal terms and as a percentage of GDP, putting eight African countries at high risk of debt distress. The risks of lawsuits by vulture funds have been reduced but not eliminated. Since 1999, at least 20 HIPCs have been threatened with or subjected to legal action. With the HIPC initiative nearly complete, the increasing ability of many African countries to access international capital markets and the rising concerns about weakening debt sustainability raise the more basic issue of how to ensure a fair and orderly debt workout mechanism to address future debt crises. **New borrowings:** Since 2008, Africa's total

Substantial reduction in external debt burden through HIPC and MDRI, but significant build-up of debt stocks owed to private creditors. Need to strengthen debt sustainability in view of the changing composition of debt.

external debt stock has risen by 67.3% (USD 367.5 billion in 2013) with most of the build-up accounted by debts owed to private creditors including bond holders which have a shorter maturity and carry higher rates. Debt owed to private creditors accounted for 70% (USD 158.3 billion in 2013) of the build-up in long-term external debt stocks between 2006-13. The increased ability of some African countries to issue international sovereign bonds (more than 12 have done so since 2011) is due to favourable global conditions, notably a low-interest environment. **New risks:** If private loans still encourage sound macroeconomic policies and debt management practices, they also come with much higher and more volatile interest rates, as well as risk of costly litigation.

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



Sources: World Bank (2015), International Debt Statistics 2015 (IDS 2015).

Repayment of Eurobonds is threatened by escalating risks, including project implementation delays, debt sustainability risks and currency risks, and has led to more complex and challenging debt management systems. Private sector lending represents a major concern for many African countries as creditor fragmentation could lead to significant surveillance challenges when debt restructuring is attempted. This has led to a worsening of debt sustainability among the 30 African countries that have completed the HIPC process, with 18 facing moderate risk and eight at high risk of debt distress. The three African countries that have not yet completed the requirements for full debt relief face high debt distress challenges and will require sustained domestic efforts and continued support from the international community. In addition, concerns are that progress under HIPC may be eroded by substantial soft loans from emerging countries. Overall, although Africa's current external debt ratios are manageable, the fast increase in sovereign debt in many countries may soon warrant corrective action.

What are the future priority actions?

Africa

- For the remaining three pre-HIPC completion countries, sustain efforts to reach the decision point and completion;
- Improve the timeliness and coverage of sovereign debt data based on debtor reporting systems for more reliable debt sustainability assessments; and
- Sustain efforts to enhance the capacity of debt management and sustainability including new risks related to the rapid increase in Eurobond issuance.

Development partners

- Maintain vigilant monitoring of Africa's debt situation and provide support to strengthen country debt management capacities;
- Continue efforts to ensure that eligible HIPCs get full debt relief from all their creditors and discourage lawsuits by non-co-operating creditors and vulture funds; and
- Encourage the development of effective debt workout mechanisms covering sovereign debt.

Key commitments

Africa's position on climate finance has gradually shifted from the earlier call for new and additional climate finance mainly from public sources to concerns about the adequacy, predictability and sustainability of finance together with a higher priority to climate adaptation. African governments also called upon all relevant institutions, including the AfDB and other regional development banks and partners, to assist their countries in accessing funding available through the Green Climate Fund (GCF) and other funds.

Development partners: At COP15 (2009) in Copenhagen, developed countries pledged resources approaching USD 30 billion of new and additional Fast-Start Finance (FSF) over 2010-12 with a balanced allocation between mitigation and adaptation. Industrialised countries also committed to jointly mobilise USD 100 billion per year by 2020 from a variety of sources to address the needs of developing countries. At COP16 (2010) in Cancun, countries agreed to establish the GCF.

What has been done?

Africa: Although actual figures are unavailable, several African governments have used domestic resources for climate adaptation. At the continental level, the ClimDev-Africa Special Fund, a demand-driven multi-donor fund managed by AfDB on behalf of the ClimDev-Africa programme, supports regional climate centres and RECs in strengthening climate information and early warning systems. Using climate finance instruments it has created and/or administered, including the Africa Climate Change Fund, the AfDB has committed to invest USD 9.6 billion as part of its 2011-15 Climate Change Action Plan. At the regional level, the COMESA Carbon Fund and the EAC Climate Change Fund have been established to support national efforts in mobilising financing for climate change.

Development partners: The current institutional arrangements for climate finance under the UNFCCC – also referred to as the UNFCCC Financial Mechanism – involve a multitude of funds and operating entities, which are changing relatively rapidly, particularly with the establishment of the GCF which will involve new providers of finance, including the private sector. Currently, the Financial Mechanism oversees two funds, the LDCs Fund (LDCF) to help LDCs prepare and implement NAPAs and the Special Climate Change Fund (SCCF) to support adaptation and mitigation projects in all developing countries. These two funds rely on voluntary contributions from developed countries and are managed by the Global Environment Facility (GEF). A third fund,

the Adaptation Fund (AF) was created under the Kyoto Protocol and gets its funding from a 2% levy on proceeds issued to clean development mechanism (CDM) projects and contributions by bilateral providers. Since their inception, the AF, SCCF and LDCF have received cumulative pledges of about USD 1.7 billion. In addition, the GEF has used contributions to its Trust Fund (of USD 1.4 billion) to support climate-related projects through the Green Climate Fund. Outside the Financial Mechanism, a number of bilateral and multilateral funding initiatives have emerged. Among the multilateral climate funds, the Climate Investment Funds channelled through multilateral development banks (MDBs) have received pledges of USD 7.8 billion with about 15% of resources destined for adaptation. A number of specialised funds such as the Congo Basin Forest Fund and the UN-REDD Programme have received pledges of USD 430 million. More significant climate finance is provided by MDBs, which reported climate finance commitments of USD 75 billion over 2011-13. Less than 20% of commitments were directed toward adaptation. **FSF:** Developed countries reported that they mobilised an estimated USD 35 billion over 2010-12 but with only USD 5.7 billion for adaptation. 47% of the FSF comprises loans, guarantees and insurance including export credit finance for developed country companies to invest in developing countries with the remaining share provided as grants. **Longer-Term Finance:** The mobilisation of USD 10.2 billion by end-2014 has enabled the GCF to start its activities. It was agreed to provide a 50:50 balance between mitigation and adaptation over time with a floor of 50% of the adaptation allocation for vulnerable countries, including LDCs, SIDS and African states. While the advent of the GCF has greatly increased dedicated climate funding under the Convention, there has been no agreement to establish interim funding targets on the way to the 2020 USD 100 billion pledge. Developed countries have promised, however, to maintain through 2015 the average finance levels provided during 2010-12, or roughly USD 10 billion a year.

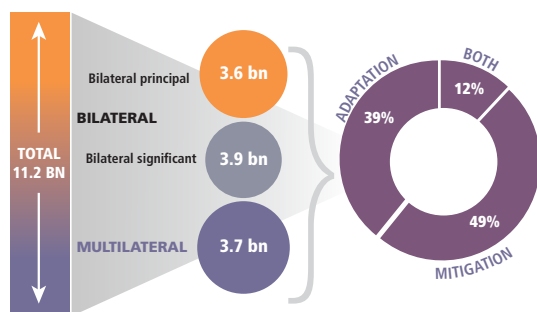
What results have been achieved?

Current levels of climate finance to Africa (excluding North Africa) are largely insufficient to meet the region's adaptation needs estimated to be at USD 7-15 billion annually by 2020. Access to climate finance remains a key challenge for Africa. Based on the Climate Fund Update website, the 20 bilateral and multilateral climate funds active in Africa (excluding North Africa) have approved a cumulative total of USD 2.3 billion between 2003-14. According to the OECD-DAC, bilateral climate-related development finance commitments to Africa averaged USD 5.6 billion per year over 2010-13. Of this, 50% targeted climate as a *principal*

Climate finance for Africa significantly short of needs, with small proportions for adaptation. More needed to secure and sustain global financing and strengthen Africa's ability to access funds and attract climate-smart investment.

or primary objective and 50% as a *significant* but not a primary objective, indicating the mainstreaming of climate considerations into development co-operation portfolios. MDBs reported to have provided USD 3.3 billion in 2012 and USD 2.7 billion in 2013 of climate finance to Africa (excluding North Africa). While slightly over 50% of it was for adaptation in 2012, this ratio has fallen to 30% in 2013. Africa's access to carbon finance primarily through CDM projects has been marginal. After years of slow growth, the African carbon market has experienced some catching up in 2010-12.

**Climate-related development finance to Africa in 2013
(Commitments, USD billion)**



Note: Aggregate figures reflect bilateral ODA and OOF flows from members of the OECD DAC and the UAE, identified as targeting climate change as either a principal or significant objective based on the "Rio markers", and climate-related multilateral flows from seven MDBs, the GEF, the Adaptation Fund and the Climate Investment Funds (CIFs).

Source: OECD DAC External Development Finance Statistics, <http://www.oecd.org/dac/stats/climate-change.htm>.

However, due in great part to weaknesses in the prices of the EU Emissions Trading System, which have led to the collapse of certified reduction emissions prices, few new CDM projects were launched in 2013-14. As of December 2014, 241 CDM projects were validated for 39 African countries (more than a quarter of them in South Africa) with some USD 5 billion invested to date. But Africa still accounts for only 2.8% of all CDM projects. According to an Africa Climate Policy Centre review, while some of the Africa-specific barriers to the CDM have been addressed with efforts to modify the methodologies and modalities to make the CDM more conducive to African circumstances, the issue of leveraging investments for CDM activities remain a challenge for the continent. Efforts are also underway to provide support to developing countries on climate finance readiness, such as the partnership between the AF and the Climate and Development Knowledge Network but much more effort will be needed to support developing countries in preparing them for mobilising climate finance.

What are the future priority actions?

Africa

- Strengthen country readiness to access, attract and deploy climate finance with more attention to channelling of climate funds to the end-user groups such as smallholder farmers;
- Strengthen country capacity including that of the private sector to better engage in CDM and REDD+ processes; and
- Create an enabling policy environment that promotes private sector investments in climate change interventions and renewable energy.

Development partners

- Accelerate the operationalisation of the GCF, particularly its adaptation window;
- Support Africa, and particular its SIDS, in accessing climate finance and ensure adequate resources for capacity building in climate finance readiness for Africa; and
- Support reforms, such as streamlining CDM registration and emission credit issuance to make existing carbon market mechanisms more relevant and accessible to Africa.



PART II

ANNEXES

Figures & Tables

- 1. MRDE selected topics
 - Table 1.1. Africa's share of manufactured exports as a percentage of merchandise exports, compared to other developing regions (2000-13)
 - Table 1.2. Share of African merchandise exports in total world trade (%)
 - Table 1.3. Average ranking of ease of doing business, by regional grouping 2014
 - Table 1.4. Trends in selected health indicators in Africa (per 1 000 live births), 1990-2013
 - Table 1.5. Number (million) and prevalence (%) of undernourishment in Africa, 1990-2014
 - Table 1.6. Average budget balance, 2009-15 (% of GDP)
 - Table 1.7. Country programmable aid for Africa (USD billion, constant prices)
- 2. Key macroeconomic indicators
 - Figure 2.1. Growth in emerging and developing regions, 2010-16
 - Figure 2.2. Real GDP (USD billion, 2005)
 - Figure 2.3. Development of African and world exports of goods, 2008-14 (USD billion)
 - Table 2.1. Real GDP growth rates (%)
 - Figure 2.4. Consumer prices in Africa 2002-16 (median inflation in %)
 - Figure 2.5. Overall fiscal balance, including grants (% of GDP)
 - Figure 2.6. Commodity prices, January 2000 – July 2015
 - Table 2.2. Debt sustainability analysis
- 3. Human development indicators
 - Figure 3.1. Population growth in Africa, by age group (million)
 - Figure 3.2. Number of people living on less than 2005 PPP USD 1.25 a day, by region (million)
 - Figure 3.3. Unemployment rate in Africa (excluding North Africa), as % of labour force category
 - Table 3.1. Millennium Development Goals: 2015 Progress Chart
- 4. Development finance
 - Table 4.1. External financial flows to Africa (USD million, nominal)
 - Figure 4.1. External financial flows to Africa (USD million, nominal)
 - Figure 4.2. Remittance flows per African sub-region, 2000-15
 - Table 4.2. ODA to Africa by sector, gross disbursements (USD million, constant prices 2013)

Boxes

- Box 1. From the Africa Partnership Forum to the Africa Global Partnership Platform
- Box 2. Modernising the ODA metric
- Box 3. Impact Investing in Africa

FIGURES & TABLES

1 MRDE selected topics

Table 1.1. **Africa's share of manufactured exports as a percentage of merchandise exports, compared to other developing regions (2000-13)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
East Asia & Pacific	82.4	82.5	83.3	83.3	83.7	83.8	83.7	83.8	81.2	83.8	82.3	81.0	82.6	82.9
Europe & Central Asia	67.8	69.5	70.0	70.3	70.7	68.0	67.5	67.9	66.1	65.2	65.2	64.2	63.3	63.3
Latin America & Caribbean	56.1	56.1	55.8	54.3	54.0	53.0	51.5	54.6	49.0	48.1	47.5	45.8	51.4	52.7
Middle East & North Africa	16.9	17.4	17.7	20.1	17.2	16.4	17.5	17.3	18.5	19.1	20.2	22.4
Africa (excluding North Africa)	26.8	26.8	32.5	29.8	26.6	26.9	27.5	26.2	27.7	25.1	26.1	26.8
World	72.4	72.5	73.7	73.3	73.3	72.0	71.3	70.1	67.8	68.4	67.6	66.7	67.5	67.3

Sources: Data from World Development Indicators, World Bank (ECA calculations based on WDI latest data available, consulted in April 2015).

Table 1.2. **Share of African merchandise exports in total world trade (%)**

	2000	2005	2008	2009	2010	2011	2012	2013
Total merchandise exports (%)	2.3	3.0	3.5	3.1	3.4	3.3	3.5	3.3
East Africa	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Central Africa	0.3	0.5	0.7	0.6	0.6	0.6	0.7	0.6
North Africa	0.9	1.1	1.4	1.1	1.2	0.9	1.1	1.0
Southern Africa	0.5	0.6	0.6	0.6	0.7	0.7	0.6	0.6
West Africa	0.5	0.6	0.7	0.7	0.8	0.9	0.9	0.8

Source: UNCTAD (2014), *Handbook of Statistics 2014*, United Nations, New York and Geneva, http://unctad.org/en/PublicationsLibrary/tdstat39_en.pdf.

Table 1.3. **Average ranking of ease of doing business, by regional grouping 2014**

	Worst Performer	Average	Best Performer
West Africa	179	152	70
East Africa	189	134	28
Central Africa	187	171	144
North Africa	188	124	60
Southern Africa	128	89	43

Source: World Bank (2014), *Doing Business 2015: Going Beyond Efficiency*, Washington D.C.

Table 1.4. **Trends in selected health indicators in Africa (per 1 000 live births), 1990-2013**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Neonatal mortality rate	41	40	40	40	39	39	39	38	38	37	37	36
Infant mortality rate	92	91	90	89	88	87	86	85	84	82	80	78
Under-five mortality rate	149	147	146	144	144	142	139	137	135	132	129	125
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Neonatal mortality rate	35	34	34	33	32	32	31	30	30	29	28	28
Infant mortality rate	76	73	71	69	66	64	62	60	58	56	55	53
Under-five mortality rate	121	117	112	108	103	99	95	91	87	84	81	78

Sources: WHO and AU data.

Table 1.5. **Number (million) and prevalence (%) of undernourishment in Africa, 1990-2014**

Prevalence of undernourishment, 1990-2014 (%)												
	1990-92	1991-93	1992-94	1993-95	1994-96	1995-97	1996-98	1997-99	1998-00	1999-01	2000-02	2001-03
World	18.7	18.6	18.3	17.9	17.2	16.6	16.1	15.7	15.3	15.0	14.9	15.0
Developing countries	23.4	23.1	22.7	22.1	21.3	20.4	19.7	19.2	18.7	18.3	18.2	18.2
Africa	27.7	27.4	27.2	27.1	26.8	26.6	26.3	26.2	25.9	25.6	25.2	24.9
North Africa	<5.0	5.1	5.1	5.1	5.1	<5.0	<5.0	<5.0	<5.0	<5.0	<5.0	<5.0
Africa (excluding North Africa)	33.3	32.8	32.5	32.3	32.0	31.6	31.3	31.1	30.7	30.2	29.8	29.4
Prevalence of undernourishment, 1990-2014 (%)												
	2002-04	2003-05	2004-06	2005-07	2006-08	2007-09	2008-10	2009-11	2010-12	2011-13	2012-14	
World	15.1	15.0	14.8	14.3	13.7	13.1	12.6	12.1	11.8	11.5	11.3	
Developing countries	18.3	18.2	17.9	17.3	16.6	15.8	15.1	14.5	14.1	13.7	13.5	
Africa	24.6	24.0	23.3	22.6	22.1	21.7	21.4	20.9	20.6	20.4	20.5	
North Africa	<5.0	<5.0	<5.0	<5.0	<5.0	<5.0	<5.0	<5.0	6.3	6.2	6.0	
Africa (excluding North Africa)	28.9	28.2	27.4	26.5	25.9	25.4	25.0	24.4	24.0	23.8	23.8	
Number of people undernourished, 1990-2014 (million)												
	1990-92	1991-93	1992-94	1993-95	1994-96	1995-97	1996-98	1997-99	1998-00	1999-01	2000-02	2001-03
World	1014.5	1024.1	1024.7	1013.6	991.7	968.6	951.7	940.2	930.6	925.0	929.9	944.7
Developing countries	994.1	1004.1	1004.5	993.0	970.0	945.7	928.0	916.6	907.3	902.7	908.7	925.0
Africa	182.0	186.0	189.0	191.0	193.0	196.0	199.0	202.0	205.0	207.0	209.0	211.0
North Africa	6.0	6.3	6.5	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.5	6.4
Africa (excluding North Africa)	176.0	179.2	182.1	184.1	186.3	188.9	191.9	195.6	198.2	200.5	202.5	204.9
Number of people undernourished, 1990-2014 (million)												
	2002-04	2003-05	2004-06	2005-07	2006-08	2007-09	2008-10	2009-11	2010-12	2011-13	2012-14	
World	961.1	968.9	965.0	946.2	918.3	888.5	861.7	840.5	822.1	811.1	805.3	
Developing countries	942.6	951.5	948.6	930.8	903.4	873.8	846.5	824.9	806.4	795.9	790.7	
Africa	213.0	214.0	213.0	212.0	212.0	214.0	216.0	210.7	218.0	221.0	227.0	
North Africa	6.3	6.4	6.4	6.4	6.3	6.1	5.9	5.6	13.0	12.8	12.6	
Africa (excluding North Africa)	207.0	207.3	206.6	205.3	206.1	207.9	210.1	211.2	204.9	208.3	214.1	

Source: FAO (2014), *Food security indicators*, October 2014.

 Table 1.6. **Average budget balance, 2009-15 (% of GDP)**

	2009	2010	2011	2012	2013	2014 ¹	2015 ²
Africa	-3.4	-3.0	-3.2	-2.1	-3.6	-4.6	-4.2
Oil exporting countries	-4.0	1.5	0.5	2.1	-2.0	-3.7	-3.6
Oil importing countries	-1.1	-4.1	-4.1	-3.3	-4.0	-4.9	-4.3
Mineral rich countries	-4.5	-3.9	-3.6	-3.2	-4.0	-4.8	-4.3

1. Estimates.

2. Projections.

Source: ECA (2015), *Economic Report on Africa*, Addis Ababa.

 Table 1.7. **Country programmable aid for Africa (USD billion, constant prices)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2013	2014 ¹	2015 ²	2016 ²	2017 ²
North Africa	4.0	4.3	4.0	3.2	4.1	3.5	3.6	4.1	5.0	4.0	3.8	3.6	4.5	9.1	7.7	7.3	7.4	7.5	7.5
Africa (excluding North Africa)	18.4	19.6	22.9	20.3	22.6	22.4	24.4	26.9	31.0	34.4	34.5	34.1	34.8	39.4	36.5	38.0	39.0	38.6	38.3
Africa, regional/multi-country	0.8	0.6	0.7	0.8	0.9	0.7	0.7	1.2	1.2	2.1	1.4	1.5	1.3	1.5	1.8	1.8	1.9	1.9	1.8

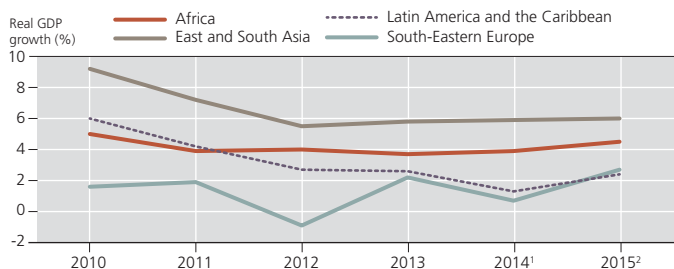
1. Estimates.

2. Projections.

Source: stats.oecd.org (Country Programmable Aid), www.oecd.org/dac/stats/documentupload/ODA%202014%20Tables%20and%20Charts.pdf.

2 Key macroeconomic indicators

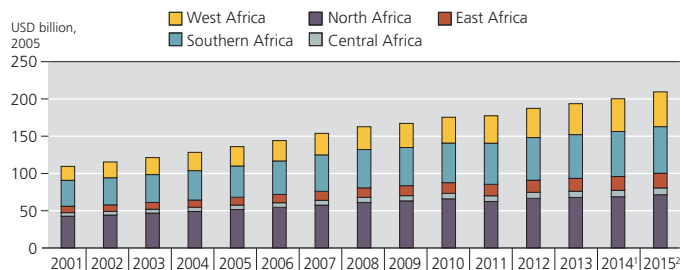
Figure 2.1.
Growth in emerging and developing regions, 2010-16



1. Estimates.
2. Projections.

Source: ECA (2015), *Economic Report on Africa 2015* – Figure 1.1.

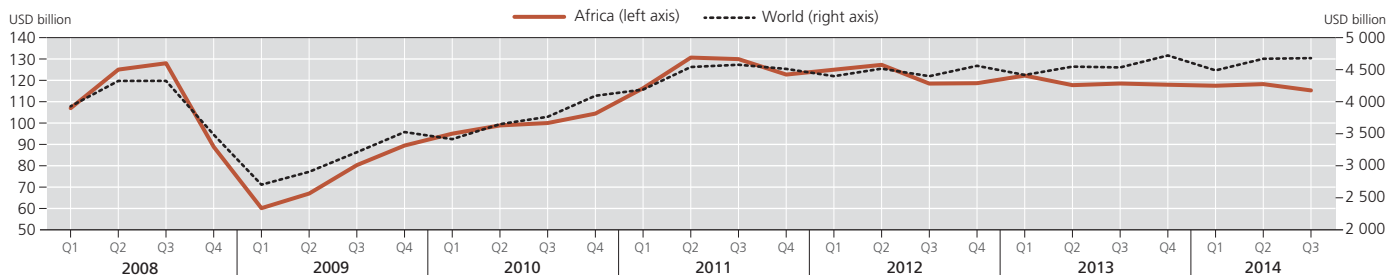
Figure 2.2.
Real GDP (USD billion, 2005)



1. Estimates.
2. Projections.

Sources: ECA (2015), *Economic Report on Africa 2015* and UN-DESA 2015 Data.

Figure 2.3.
Development of African and world exports of goods, 2008-14 (USD billion)



Source: AfDB, et al. (2015), *African Economic Outlook 2015: Regional Development and Spatial Inclusion*, OECD Publishing – Figure 1.4 Development of African and world exports of goods – IMF Direction of Trade Statistics.

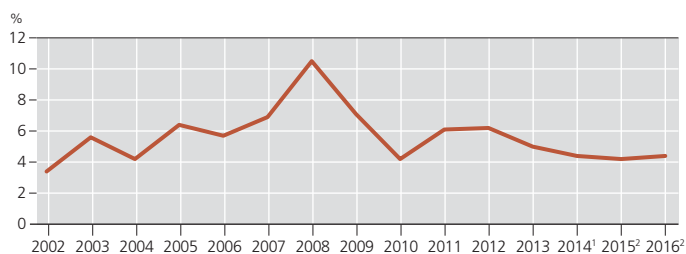
Table 2.1. **Real GDP growth rates (%)**

	2006-10	2011	2012	2013	2014 ¹	2015 ²
Central Africa	4.1	4.7	5.5	4.1	5.6	5.5
East Africa	7.1	5.9	4.2	4.7	7.1	5.6
North Africa	4.7	-0.3	10.5	1.6	1.7	4.5
Southern Africa	4.2	3.9	3.4	3.6	2.7	3.1
West Africa	6.4	5	5.1	5.7	6	5
Africa	5.2	2.8	6.7	3.5	3.9	4.5

1. Estimates.
2. Projections.

Source: AfDB, et al. (2015), *African Economic Outlook 2015: Regional Development and Spatial Inclusion*, OECD Publishing – Table 1.4 Macroeconomic developments in Africa.

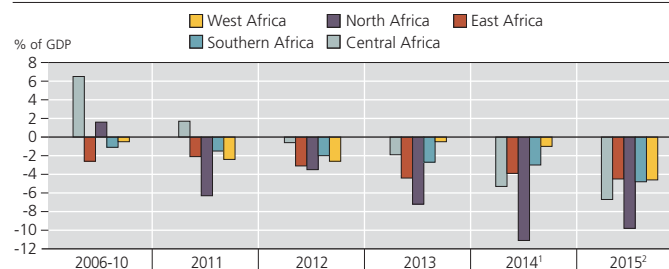
Figure 2.4.
Consumer prices in Africa 2002-16 (median inflation in %)



1. Estimates.
2. Projections.

Source: AfDB, et al. (2015), *African Economic Outlook 2015: Regional Development and Spatial Inclusion*, OECD Publishing – Figure 1.9 Consumer Price inflation in Africa – Statistics Department, African Development Bank.

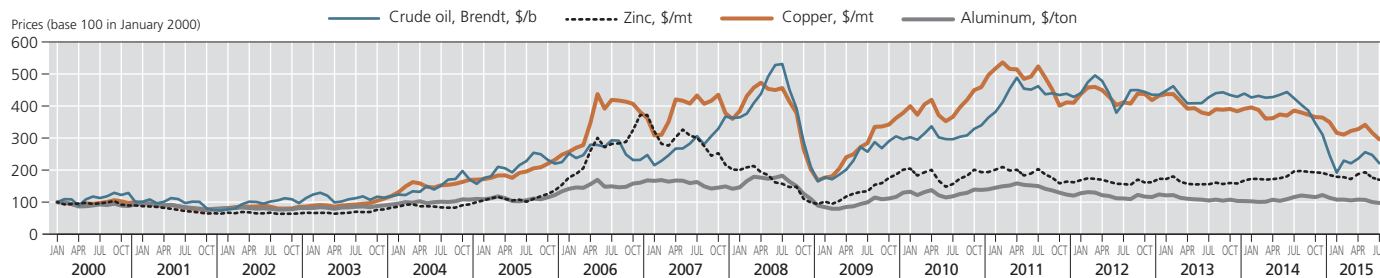
Figure 2.5.
Overall fiscal balance, including grants (% of GDP)



1. Estimates.
2. Projections.

Source: AfDB, et al. (2015), *African Economic Outlook 2015: Regional Development and Spatial Inclusion*, OECD Publishing – Table 1.4, Macroeconomic developments in Africa.

Figure 2.6.
Commodity prices, January 2000 – July 2015



Source: IMF primary commodity price monthly data, <http://www.imf.org/external/np/res/commod/index.aspx> (accessed 2 September 2015).

Table 2.2. **Debt sustainability analysis**

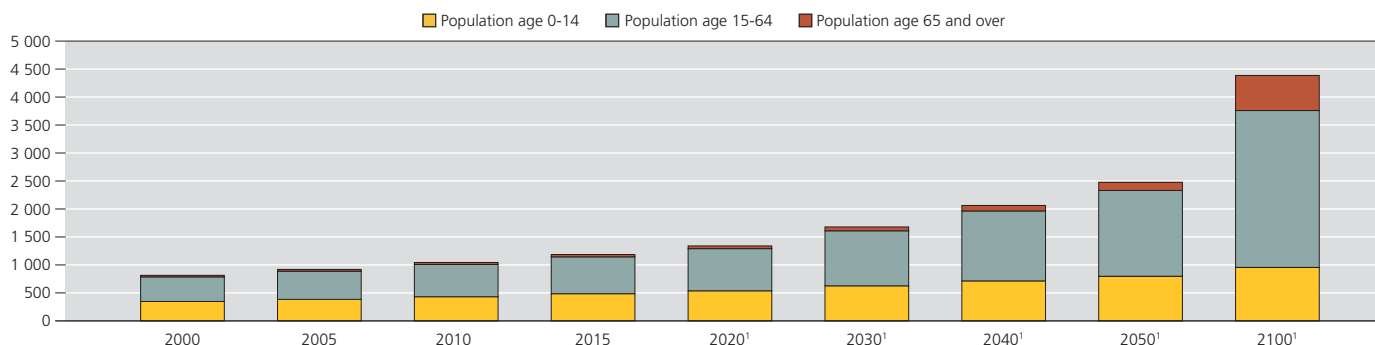
Low risk	Moderate risk	High risk
Benin (January 2013)	Burkina Faso (May 2015)	Burundi (March 2015)
Congo (September 2014)	Cabo Verde (May 2014)	Central African Republic (June 2014)
Ethiopia (September 2014)	Cameroon (July 2014)	Chad (September 2014)
Kenya (February 2015)	Comoros (January 2015)	Djibouti (March 2013)
Liberia (February 2015)	Côte d'Ivoire (November 2014)	Ghana (March 2015)
Madagascar (July 2014)	Democratic Republic of the Congo (May 2014)	Mauritania (January 2014)
Nigeria (February 2015)	Gambia (March 2015)	Sao Tome and Principe (June 2015)
Rwanda (June 2015)	Guinea (September 2014)	Sudan (November 2014)
Senegal (December 2014)	Guinea-Bissau (June 2015)	
Tanzania (June 2015)	Lesotho (July 2014)	
Uganda (June 2015)	Malawi (Marc 2015)	
	Mali (November 2014)	
	Mozambique (June 2015)	
	Niger (December 2014)	
	Sierra Leone (March 2015)	
	South Sudan (December 2014)	
	Togo (February 2014)	
	Zambia (May 2015)	

Note: Date of the most recent analysis in brackets.

Source: Joint World Bank-IMF Low Income Countries Debt Sustainability Analysis (LIC DSA).

3 Human development indicators

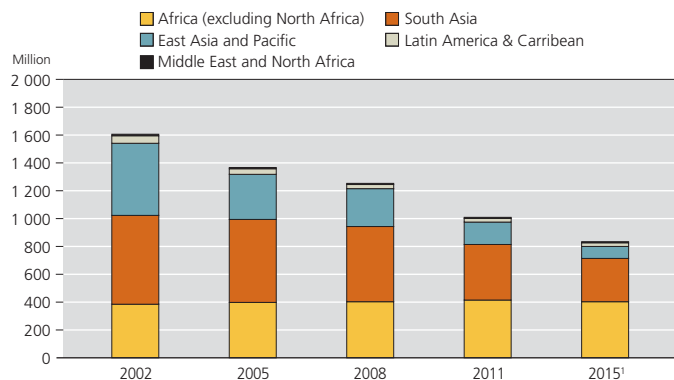
Figure 3.1.
Population growth in Africa, by age group (million)



1. Projections.

Sources: United Nations (2015), Probabilistic Population Projections based on the World Population Prospects: The 2015 Revision. Population Division, DESA. United Nations, Department of Economic and Social Affairs, Population Division (2015). World Population Prospects: The 2015 Revision, DVD Edition.

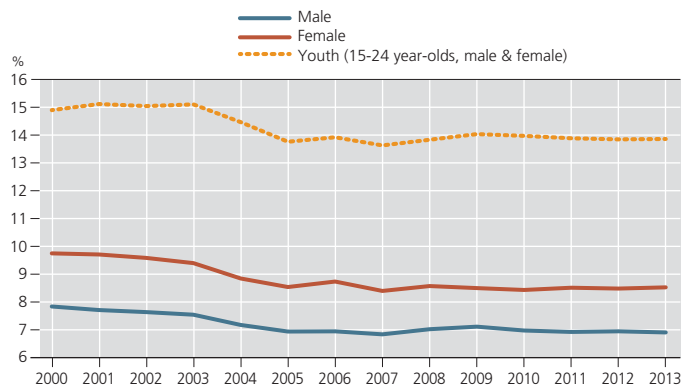
Figure 3.2.
Number of people living on less than 2005 PPP USD 1.25 a day, by region (million)



1. Projections.

Source: WBG (2015), *World Development Indicators*, World Bank Group, <http://databank.worldbank.org>, Washington.

Figure 3.3.
Unemployment rate in Africa (excluding North Africa), as % of labour force category











Source: WBG (2015), *World Development Indicators*, last updated on 28 July 2015, <http://databank.worldbank.org>.

Table 3.1. **Millennium Development Goals: 2015 Progress Chart**

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 to the legend below:

- Target met or excellent progress
- Good progress
- Fair progress
- Poor progress or deterioration

	North Africa	Africa (excluding North Africa)
 GOAL 1: ERADICATE EXTREME POVERTY AND HUNGER		
Reduce extreme poverty by half	Low poverty	Very high poverty
Productive and decent employment	Large deficit	Very large deficit
Reduce hunger by half	Low hunger	High hunger
 GOAL 2: ACHIEVE UNIVERSAL PRIMARY EDUCATION		
Universal primary schooling	High enrolment	Moderate enrolment
 GOAL 3: PROMOTE GENDER EQUALITY AND EMPOWER WOMEN		
Equal girls' 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	Moderate representation	Moderate representation
 GOAL 4: REDUCE CHILD MORTALITY		
Reduce mortality of under-five-year-olds by two thirds	Low mortality	High mortality
 GOAL 5: IMPROVE MATERNAL HEALTH		
Reduce maternal mortality by three quarters	Low mortality	High mortality
Access to reproductive health	Moderate access	Low access
 GOAL 6: COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES		
Halt and begin to reverse the spread of HIV/AIDS	Low incidence	High incidence
Halt and reverse the spread of tuberculosis	Low mortality	High mortality
 GOAL 7: ENSURE ENVIRONMENTAL SUSTAINABILITY		
Halve proportion of population without improved drinking water	High coverage	Low coverage
Halve proportion of population without sanitation	Moderate coverage	Very low coverage
Improve lives of slum-dwellers	Low proportion of slum-dwellers	Very high proportion of slum-dwellers
 GOAL 8: DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT		
Internet users	Moderate usage	Low usage

Note: Country experiences in each region may differ significantly from the regional average. Due to new data and revised methodologies, this Progress Chart is not comparable with previous versions.

Sources: United Nations, based on data and estimates provided by: Food and Agriculture Organization of the United Nations; Inter-Parliamentary Union; International Labour Organization; International Telecommunication Union; UNAIDS; UNESCO; UN-Habitat; UNICEF; UN Population Division; World Bank; World Health Organization – based on statistics available as of June 2015.

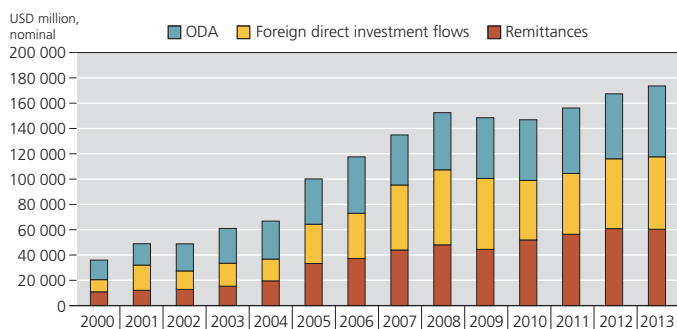
4 Development finance

 Table 4.1. **External financial flows to Africa (USD million, nominal)**

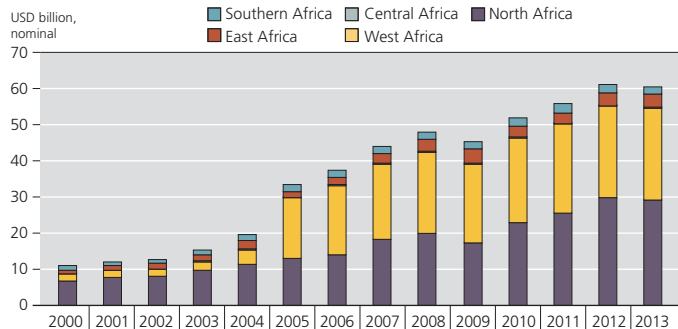
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Remittances	10 909	12 118	12 810	15 360	19 533	33 301	37 269	43 972	48 051	44 476	51 911	56 408	60 851	60 364
Foreign Direct Investment Flows	9 621	19 943	14 611	18 164	17 261	31 013	35 720	51 364	59 276	56 043	47 034	48 021	55 180	57 239
ODA	15 467	16 840	21 403	27 449	30 006	35 836	44 568	39 543	45 174	47 991	47 947	51 776	51 355	55 989
Total	35 997	48 901	48 824	60 973	66 800	100 150	117 557	134 879	152 501	148 510	146 892	156 205	167 386	173 592

Note: The total figure shown in this table refers to total gross amounts disbursed by all donors.

Sources: OECD-DAC, International Development Statistics database (last accessed on 11 September 2015), UNCTAD Stat, last available data, unctadstat.unctad.org (accessed 3 September 2015).

 Figure 4.1. **External financial flows to Africa (USD million, nominal)**


Sources: OECD-DAC International Development Statistics Database; UNCTAD Stat, latest data available, unctadstat.unctad.org (accessed 3 September 2015).

 Figure 4.2. **Remittance flows per African sub-region, 2000-15**


Sources: AfDB, et. al. (2015), African Economic Outlook: Regional Development and Spatial Inclusion, OECD Publishing – Figure 2.6: Authors' calculations based on World Bank remittances data.

 Table 4.2. **ODA to Africa by sector, gross disbursements (USD million, constant prices 2013)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Basic Social Services - Social Sectors	7 628	8 658	9 557	11 643	12 992	14 550	15 786	16 221	16 197	17 058	17 025
of which Education	2 672	2 783	2 567	3 087	3 620	3 340	3 852	3 825	3 223	3 287	3 152
of which Health	2 097	2 629	2 800	3 599	3 978	5 340	5 991	6 079	6 549	7 111	7 617
of which Governance & civil society	1 704	1 723	2 361	2 811	3 046	3 453	3 544	3 778	3 635	3 810	3 612
Productive sectors -	4 700	4 840	5 538	6 026	7 509	8 142	8 344	9 596	10 470	11 644	13 765
of which Agriculture & rural development	1 282	1 139	1 262	1 421	1 734	1 675	2 109	2 448	2 547	2 556	2 962
of which Infrastructure (excl. water)	1 474	1 544	2 054	2 269	2 590	2 904	2 890	3 620	3 997	4 639	4 839
Commodity aid & general programme assistance	2 322	2 490	2 869	3 256	3 569	3 767	4 120	3 948	3 829	3 332	5 718
of which Budget support	1 748	1 704	1 939	2 349	2 548	2 442	2 715	2 744	2 617	2 139	4 830
Humanitarian aid	9 350	7 218	11 715	17 619	4 623	3 152	3 310	4 017	6 096	3 316	2 709
Other	4 683	4 728	6 369	5 573	4 920	6 375	5 798	4 997	6 443	6 223	6 063
Total	28 684	27 933	36 048	44 116	33 613	35 986	37 358	38 779	43 037	41 574	45 281

Note: The total figure shown in this table refers to total gross amounts disbursed by all donors for each year for selected sectors.

Sources: OECD-DAC, International Development Statistics database (last accessed on 11 September 2015).

Box 1. From the Africa Partnership Forum to the Africa Global Partnership Platform

At the AU Summit in Malabo in June 2014, African Leaders endorsed the establishment of the Africa Global Partnership Forum (AGPP) – a new partnership and dialogue mechanism comprising AU member states and approximately 24 of their major trade, investment and development partners.

The AGPP grew out of the Africa Partnership Forum (APF), a G7-initiated mechanism created at the Evian Summit in 2003 to broaden the dialogue between the G7 and the five initiating NEPAD countries that started in Okinawa in 2000. Other African countries and some OECD countries were invited to join the APF. At one point, the APF comprised High Representatives of 21 African countries and of its 20 main bilateral development partners from the G7/G8 and the OECD as well as the heads and chairs of 20 African and international organisations.

Throughout its ten-year existence, the APF provided a space for senior experts to address topical themes of importance to African development, delivered high-quality policy and monitoring reports and brokered agreements to improve the Forum's effectiveness. Over time, however, APF members recognised the need to bring the Forum up-to-date with changes in the global economy and in Africa itself. As a result, the APF members commissioned an external evaluation in 2012 to assess the Forum's effectiveness and make recommendations on its future. The evaluation recommended broadening membership and taking measures to strengthen African ownership of – and links into – African Union, G7/G8 and G20 processes. Following discussion of these findings, African leaders adopted the Dakar Reform Proposals, setting out their decision to create a new partnership platform. The mechanism originally established by the G7 was thereby transformed into a partnership platform established by African leaders themselves.

The AGPP's objective is to respond to the changing patterns of global relations evidenced since the early 2000s, in particular the growing importance of emerging economies and the G20's newfound role in steering the global economy. It will enable stronger integration of Africa's priorities into the global political and economic agenda.

It will focus on priority issues of economic co-operation between Africa and its international partners, as defined in the AU and the NEPAD, and as set out in Agenda 2063 and in continental policy frameworks such as CAADP and PIDA. It will also target sustainable development and climate change, as well as global governance issues.

With a senior official representing each of its members, the AGPP's inaugural plenary meeting will be held in Dakar on 22 October 2015. Participants will address the priority themes of agriculture and food security, and infrastructure financing.

Box 2. Modernising the ODA metric

Since 1972, ODA has been the key statistical measure used in all aid targets and assessments of aid performance. The OECD-DAC has established a rigorous ODA reporting regime whose core functions are to review its members' performance and encourage more and better aid. In December 2014, the OECD-DAC Ministers and Heads of Agencies reached an historic agreement to modernise its statistical framework, including modernising the reporting of concessional loans.

Until recently, ODA was defined as those resources provided by official agencies or their executive agencies to countries and territories on the DAC List of ODA Recipients and to multilateral development institutions for the economic development and welfare of developing countries as their main objective. In addition, the resources had to be concessional in character (grants are 100% concessional by definition and every loan had to include a grant element of at least 25% calculated at a discount rate of 10%). Over time, differences have developed in the way OECD-DAC members interpret the concessional requirement. To ensure consistent interpretation, the DAC agreed to introduce a grant equivalent system for the purpose of calculating ODA figures.

What has changed?

Under the new system, only the grant element of loans will score as ODA, whereas in the past, their full face value did (however, repayments on loan capital down the road were recorded as negative ODA). This new system will allow a more realistic comparison of donor effort and should encourage the use of highly concessional loans.

The discount rate used in calculating the grant element will now be differentiated by developing country groups: a loan to an LDC or LIC will score more ODA than a loan at the same terms extended to a MIC. In addition, higher concessional thresholds have been introduced to provide softer terms and conditions to countries most in need. Now, loans to LDCs and other LICs must include a grant element of at least 45% to be counted as ODA, while loans to LMICs and UMICs will require (and only score) a 15% and 10% minimum grant element respectively. The new system will become the standard for reporting from 2018. However, to ensure continued transparency on disbursements and reflows, as well as on the impact of the change in definition on overall aid volumes, ODA will also continue to be calculated, reported and published on the previous cash-flow system.

	Before: Cash flows	After: Grants Equivalents
Discount Rates	10% Used for assessing the concessionality of a loan	5% base (current IMF discount rate) + adjustment factors of: 1. 4% for LDCs and other LICs 2. 2% for LMICs 3. 1% for UMICs Used for both assessing the concessionality of a loan (does it meet the threshold) and for calculating its ODA grant equivalent
Grant Element Thresholds	25%	1. 45% for LDCs and other LICs 2. 15% for LMICs 3. 10% for UMICs
Measurement System	Positive ODA when disbursed, negative ODA when repaid	<ul style="list-style-type: none"> • Grant equivalent of loan disbursements (grant element multiplied by amount disbursed) • Repayment of past loans is not subtracted from ODA but will continue to be collected and published • Clear, quantifiable measure of concessionality that is tighter than what existed before • The softer the terms and conditions, the more ODA credit the provider receives • Grants score more ODA than loans

Source: OECD-DAC (2014), Modernising Official Development Assistance.

Box 3. **Impact investing in Africa**

Social impact investment (SII) – defined as the provision of finance to organisations addressing social needs with the explicit expectation of a measurable social as well as financial return – is becoming increasingly relevant in catalysing additional capital flows, scaling up innovative solutions and encouraging better collaboration between public and private sectors. Impact investing could constitute an innovative approach to the implementation of the AU's Agenda 2063 by developing more inclusive businesses and increasing access to basic services such as finance, healthcare, education, clean water and energy.

Africa's impact investing sector is gradually growing and offers new opportunities to scale up projects with sustainable and profitable impact, thanks in part to stronger recognition from African governments. Impact investments currently being managed in Africa represent at least USD 8.4 billion, mainly through development finance institutions, early-stage impact and private equity (PE) funds, foundations and private donors, and institutional investors. The size of early-stage impact funds averages USD 49 million, focusing primarily on SME development. With more than USD 7 billion raised between 2009-2014, PE investments in Africa have grown steadily and offer new opportunities related to growth stage capital for social impact projects, such as the Global investing in the Bujagali Hydroelectric Project in Uganda.

Impact investing in Africa remains in the early stages of development and is dominated by foreign investment. Only 14% of the USD 60 billion total volume of impact capital reported by the Global Impact Investing Network (GIIN) in 2014 was directed to Africa. There is a structural lack of data on financial and non-financial performance, as well as a shortage of investment infrastructure and intermediaries, which holds back potentially profitable and impactful investments in Africa. In addition, many entrepreneurs lack access to seed finance, the so-called missing middle, highlighting the need to unlock early-stage funding in Africa.

Recently, some African private investors and foundations, such as the Tony Elumelu Foundation, have engaged in African impact investing. However, additional informal philanthropic activity and African business angel investments remains difficult to measure. Social financial instruments, such as Social Impact Bonds (SIBs) and Development Impact Bonds (DIBs), have been recently explored in Africa with five SIBs in the design stage and several DIBs in the pilot phase in 2015 (e.g. the Mozambique Malaria Performance Bond).

Building market infrastructure and capacity to facilitate Impact Investing in Africa

Building investment platforms and consultation networks, as well as supporting enterprises in their earlier stages, are crucial for stimulating the emergence and growth of impact investing in Africa. Moreover, co-operation between the public and private sectors is needed to create an enabling environment for social businesses and develop a strong culture of financial reporting. The AU has already explored innovative funding mechanisms, notably to promote the private sector's role in furthering inclusive growth at its 7th Africa Private Sector Forum in December 2014. Regional organisations, such as the Southern African Impact Investing Network and the Organisation for the Harmonisation of Business Law in Africa have proposed initiatives facilitating the practice of impact investing in their regions.

At the international level, inclusive and social businesses activities – that bring the benefits of growth directly to low-income communities – have been enhanced with initiatives such as the UNDP African Facility for Inclusive Markets (AFIM), the Social Impact Investment Taskforce created by the G8 under the UK Presidency in 2013 and the G20-B20 workstream on inclusive business. The OECD has contributed to this debate by recently publishing a report that provides a framework for assessing the SII market. The report calls for the need to further build the evidence base, and highlights the importance of further collaboration to develop global standards on definitions and strengthen existing data collection processes and comparability of data.

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ACRONYMS & TERMS

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

3ADI	Accelerated Agribusiness and Agro-industries Development Initiative
AMCEN	African Ministerial Conference on the Environment
AEOI	Automatic exchange of information
AF	Adaptation Fund
AFSI	L'Aquila Food Security Initiative
AfDB	African Development Bank
AfT	Aid for Trade
AFTF	Agriculture Fast Track Fund
AGA	Pan-African Governance Architecture
AGIR	Global Alliance for Resilience – Sahel and West Africa
AGOA	African Growth and Opportunity Act
AGRA	Alliance for a Green Revolution in Africa
AIDA	Action Plan for the Accelerated Industrial Development of Africa
AMCEN	African Ministerial Conference on the Environment
AMIS	Agricultural Market Information System
AMV	African Mining Vision
APCF	African Productive Capacity Facility
APCI	African Productive Capacity Initiative
APF	African Peace Fund
APP	Africa Progress Panel
APRM	African Peer Review Mechanism
APSA	African Peace and Security Architecture
ARC	African Risk Capacity
ASF	African Standby Force
ATAF	African Tax Administration Forum
AU	African Union
AUCPCC	African Union Convention on Preventing and Combating Corruption
BEPS	Base Erosion and Profit Shifting
CAADP	Comprehensive Africa Agriculture Development Programme
CAF	Cancun Adaptation Framework
CAMI	Conference of African Ministers of Industry
CAP	Common African Position

CARMMA	Campaign on the Accelerated Reduction of 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
CEPR	Centre for Economic Policy Research
CFR	Council on Foreign Relations
CFTA	Continental Free Trade Agreement
CIGI	Centre for International Governance Innovation
ClimDev-Africa	Climate for Development in Africa Programme
COMESA	Common Market for Eastern and Southern Africa
COP	Conference of Parties
CPA	Country Programmable Aid
DAC	OECD Development Assistance Committee
DFQF	Duty-Free Quota-Free
DRF	Debt Reduction Facility
EAC	East African Community
ECA	United Nations Economic Commission for Africa
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EFA	Education for All
EITI	Extractive Industries Transparency Initiative
EPAs	Economic Partnership Agreements
EU	European Union
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FSC	Forest Stewardship Council
FSF	Fast-Start finance
FTA	Free Trade Agreement
FTI	Fast Track Initiative
GAfSP	Global Agriculture and Food Security Programme
G7/G8	Group of Seven/Group of Eight
G20	Group of Twenty
GCF	Green Climate Fund
GDP	Gross domestic product
GEF	Global Environment Fund
GHG	Greenhouse gas
GNI	Gross national income
GPE	Global Partnership for Education
GPEDC	Global Partnership for Effective Development Co-operation
GVCS	Global value chains

GW	Gigawatt	ODI	Overseas Development Institute
HIPC	Debt Relief Under the Heavily Indebted Poor Countries (HIPC) Initiative	OECD	Organisation for Economic Co-operation and Development
HIPCs	Heavily Indebted Poor Countries	OECD-DAC	OECD Development Assistance Committee
IAIDA	Institutional Architecture for Infrastructure Development in Africa	PAQI	Pan-African Quality Infrastructure
ICA	Infrastructure Consortium for Africa	PFM	Public financial management
ICT	Information and communication technologies	PICI	Presidential Infrastructure Champion Initiative
IDA	International Development Association	PIDA	Programme for Infrastructure Development in Africa
IEA	International Energy Agency	PMPA	Pharmaceutical Manufacturing Plan for Africa
IFAD	International Fund for Agricultural Development	PPI	Private participation in infrastructure
IFC	International Finance Corporation	PPPs	Public-private partnerships
IFF	Illicit Financial Flows	PSC	AU Peace and Security Council
IFFIm	International Financing Facility for Immunisation	PwC	PricewaterhouseCoopers
IFI	International Finance Institution	RECs	Regional economic communities
IFPRI	International Food Policy Research Institute	REDD	Reducing emissions from deforestation and forest degradation
IMF	International Monetary Fund	SADC	Southern African Development Community
INDCs	Intended Nationally Determined Contributions	SAIIA	South African Institute of International Affairs
IPPC	International Panel of Experts on Climate Change	SCCF	Special Climate Change Fund
IRENA	International Renewable Energy Agency	SIDS	Small Island Developing States
ITU	International Telecommunication Union	SDGs	Sustainable Development Goals
KPCs	Kimberly Process Certification Scheme	SMEs	Small and medium-sized enterprises
LDCF	Least Developed Countries Fund	TB	Tuberculosis
LDCs	Least Developed Countries	TFTA	Tripartite Free Trade Agreement
LICs	Low Income Countries	UMICs	Upper Middle Income Countries
LMICs	Lower Middle Income Countries	UN	United Nations
MDB	Multilateral Development Bank	UNAIDS	The Joint United Nations Programme on HIV/AIDS
MDGs	Millennium Development Goals	UNCAC	United Nations Convention against Corruption
MDRI	Multilateral Debt Relief Initiative	UNCCD	United Nations Convention to Combat Desertification
MFW4A	Making Finance Work for Africa	UNCTAD	United Nations Conference on Trade and Development
MMR	Maternal mortality rates	UNDESA	United Nations Department of Economic and Social Affairs
MRDE	Mutual Review of Development Effectiveness in Africa	UNDP	United Nations Development Programme
MSMEs	Micro- small- and medium-sized enterprises	UNEP	United Nations Environment Programme
MVA	Manufactured value-added	UNESCO	United Nations Educational, Scientific and Cultural Organization
MYAP	G20 Multi-Year Action Plan	UNFCCC	United Nations Framework Convention on Climate Change
NAPAs	National Adaptation Programmes of Action	UNIDO	United Nations Industrial Development Organization
NAMAs	Nationally Appropriate Mitigation Actions	UNOSAA	United Nations Office of the Special Adviser on Africa
NBSAPs	National Biodiversity Strategies and Action Plans	WDI	World Development Indicators
NEPAD	New Partnership for Africa's Development	WEF	World Economic Forum
NOAA	National Oceanic and Atmospheric Administration	WFP	World Food Programme
NPCA	NEPAD Planning and Coordinating Agency	WHO	World Health Organization
OCHA	United Nations Office for the Coordination of Humanitarian Affairs	WMO	World Meteorological Organization
		WTO	World Trade Organization

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The ECA-OECD 2015 *Mutual Review of Development Effectiveness in Africa: Promise & Performance* is intended to provide a focused and accessible set of answers to four questions:

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

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