Audit of progress

AGAINST THE 2005 RECOMMENDATIONS

GETTING SYSTEMS RIGHT: GOVERNANCE AND CAPACITY-BUILDING

THE GOVERNANCE AND CAPACITY-BUILDING RECOMMENDATIONS IN THE 2005 REPORT

Investment in capacity-building

- Strengthen pan-African and regional bodies and programmes, including support to the African Peer Review Mechanism.
- Donors should align behind African governments' comprehensive capacity-building strategies.
- Invest $500 million to revitalise Africa's institutions of higher education and $3 billion over ten years to develop centres of excellence in science and technology.

Increase accountability and transparency

- Establish partnerships to strengthen parliaments in Africa, including the Pan-African Parliament.
- Create an African media development strategy.
- Put pressure on companies to be more transparent in their activities in developing countries and to adhere to international codes and standards of behaviour.
- Give strong political and financial support to the Extractive Industries Transparency Initiative (EITI) on gas, oil and minerals to increase the transparency of payments made to and received by governments.
- Extend similar initiatives to other natural resource sectors.
- Timber-importing countries should ensure that they do not trade in illegally acquired forest products.

Corruption

- Developed countries should encourage their export credit agencies to be more transparent.
- Countries and territories with significant financial centres should take all necessary legal and administrative measures to repatriate illegally acquired state funds and assets.
- All states should ratify and implement the UN Convention Against Corruption during 2005.

Strengthening the quality and use of data

- Donors should provide the additional amount required to help Africa improve systems to collect and analyse statistics.

The Commission for Africa's 2005 report, *Our Common Interest*, argued that governance and peace and security were essential preconditions for development and growth in Africa, and that without effective institutions and progress in governance, 'all other reforms will have limited impact'.

The governance section of the report made recommendations on a number of issues vital to improving the capacity, accountability and transparency of institutions and therefore to accelerating development. It focused primarily on the effectiveness of individual African states but also called for improved support to Africa's regional organisations and governance initiatives. It identified corruption and the lack of high-quality data as two particular issues undermining the capacity of states to deliver poverty reduction.

The report did not focus in detail on economic governance. However, as discussed in the section on growth (see below), improvements in economic governance in many African countries have been one of the success stories of the past five years.

30 African countries have signed up to the African Peer Review Mechanism (APRM)

By 2009, international donors had provided a total of $13 million to the APRM Secretariat Trust Fund. African countries had contributed $20 million.[33] As of January 2010, 30 African countries had signed up to the APRM and 14 were at various stages in the implementation process.

The APRM is highly innovative, and no other region in the world has a similar process. However, its impact is being undermined by sluggish implementation, countries not integrating the findings of APRM reviews into their planning and budgeting processes, and insufficient support to the Secretariat. There is also evidence that donors are making limited use of the APRM process and its findings in their programmes.[34] The process as a whole would benefit from renewed commitment and momentum.

Donors are aligning more of their support behind countries' own priorities for technical assistance, but there is still room for improvement

To improve states' capacity to deliver growth and development, the 2005 report recommended that African governments develop comprehensive capacity-building strategies, around which donors should align their assistance.

African governments have not drawn up comprehensive capacity-building strategies as such. However, the Government of Rwanda, for example, has pooled all its own spending on technical assistance into a single 'Capacity Building Fund', which it has aligned

33 APRM *Annual Report 2009*.

34 For example, the EU Governance Initiative was set up in 2005, offering up to $2.7 billion to support improvements in governance in developing countries, including support to reforms triggered by the APRM. However, a 2009 review of this initiative found that the Governance Action Plans developed for it sometimes gave insufficient attention to APRM action plans, and called for a better link between the two that more accurately reflected countries' level of progress in the APRM process.

to its national development priorities. Taking this one step further, the government is now drawing up a strategic assessment of capacity gaps in the ministries responsible for delivering key policy objectives, and will be looking to donors to align their spending and technical assistance with its capacity-building priorities and plans rather than their own.

The 2005 Paris Declaration set a target for donors' technical support to developing country governments: by 2010, 50% of it should go through coordinated programmes that are consistent with national development strategies. As noted in the section on resources below, this indicator had already been exceeded by 2008, progressing from 48% in 2005 to 60% in 2007.[35] It has, however, been criticised for being unambitious. The 2008 Accra Agenda for Action called for further steps to ensure that developing countries are in control of identifying their capacity-building needs and that donors align their efforts around those priorities.[36]

Donor funding to higher education remains very low

According to DAC data,[37] donor funding to higher and advanced education in sub-Saharan Africa increased by 24% between 2005 and 2008, peaking in 2006. France and Germany are the two biggest donors by some distance.[38] However, many donors include the costs of overseas students studying at their own universities in these figures. Once these costs are discounted, donor support to African universities continues to be very low, and is not improving.

Disappointing progress on support to Africa's science and technology capacity

It is unclear what has happened in terms of external support to Africa's science and technology capacity and in particular to 'centres of excellence'. It is clear, however, that donors have not committed to providing up to $3 billion over ten years to develop centres of excellence in science and technology, as recommended by the Commission.

The African Union (AU) produced a Consolidated Plan of Action for Science and Technology in August 2005.[39] There are annual meetings of the African Ministerial Conference on Science and Technology (AMCOST), which is leading a number of initiatives, such as the creation of a continent-wide 'observatory' on science and technology.

Despite new funding, from, for example, the European Commission, and positive steps in some areas, there has been little progress overall and coordinated donor funding has failed to materialise. Consultations on the creation of an African Science and Innovation Facility were held in 2006, but there appears to have been no further action towards creating this facility since then.[40]

Donor support to parliaments may have grown – but the Pan-African Parliament remains under-funded

The Pan-African Parliament was established in 2004 as the legislative arm of the AU. Based in South Africa, it draws together representatives from across the continent. It is difficult to determine whether support to either the Pan-African Parliament or African parliaments in general has increased or not, due a lack of data on this issue. There is certainly a perception that funding to and donor interest in supporting parliaments have increased overall.[41]

A trust fund for the Pan-African Parliament was established in April/May 2005. A number of donors have provided support, including the UK, Netherlands, Belgium, Germany and Japan – either through the trust fund or through programmes to build the capacity of the Parliament. However, the Pan-African Parliament has consistently been short of funding – in large part because member states are not making their contributions.

The Africa Media Initiative has been created

The Africa Media Initiative has recently been created and is beginning its work. According to DAC statistics, however, donor funding to the media in sub-Saharan Africa has remained modest.

Many companies are improving their performance on ethical issues, but those that behave irresponsibly often go unpunished

It is difficult to measure whether pressure on companies to behave in an ethical manner has increased. 'Ethical consumerism' has certainly been on the rise.[42] Research into policies and systems for

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35 OECD. 2008. *Survey on Monitoring the Paris Declaration. Making Aid more Effective by 2010*. An assessment of 2010 assistance will be published in 2011.

36 See http://siteresources.worldbank.org/ACCRAEXT/Resources/4700790-1217425866038/AAA-4-SEPTEMBER-FINAL-16h00.pdf.

37 References to OECD International Development Statistics are made throughout this report: www.oecd.org/dataoecd/50/17/5037721.htm

38 DAC statistical database.

39 www.africa-union.org/root/AU/Conferences/2010/March/Amcost/docs/Africa's%20Consolidated%20Plan%20of%20Action.pdf.

40 For a commentary on progress in building Africa's science and technology capacity, see Linda Nordling. 'Africa Analysis: Continent's science plan needs refocus' on scidev.net, February 2010. www.scidev.net/en/sub-suharan-africa/opinions/africa-analysis-continent-s-science-plan-needs-refocus.html

41 The UK Africa All Party Parliamentary Group's report, *Strengthening Parliaments in Africa: Improving Support* (March 2008), stated that 'there has been a recent upsurge in attention to parliaments and significant indications of fresh commitment on the part of DFID and other players'. It also suggested that the number of organisations looking to provide support to parliaments in Africa was increasing in number and diversity.

42 Research on ethical consumerism by the Co-operative Bank found that expenditure on ethical goods and services has grown almost three-fold in the UK in the past 10 years. Overall, the ethical market in the UK was worth £36 billion in 2008 compared with £13.5 billion in 1999.

corporate social responsibility by bodies such as Experts in Responsible Investment Solutions (EIRIS), however, demonstrates patchy performance across different issues and sectors. Policies and systems on environmental issues are, for example, found to be more widespread and of better quality than those on bribery and corruption.

The OECD has issued Guidelines for Multinational Enterprises aimed at encouraging responsible behaviour in their overseas operations.[43] National Contact Points (NCPs) are government offices in each OECD country which are responsible for disseminating, encouraging and monitoring compliance with these voluntary principles. Campaigners on corporate responsibility frequently criticise the NCPs for failing to follow up alleged breaches. There are also suggestions that the global economic crisis has worsened the situation by encouraging governments to become more lax in enforcing standards.

In July 2010, the US Senate passed an amendment to the country's Financial Regulation Bill that will dramatically enhance transparency efforts in developing countries. The Cardin-Lugar Transparency Amendment makes it mandatory for all oil, gas and mining companies listed on the New York Stock Exchange to disclose what they pay to foreign governments for the right to extract natural resources. Placing these figures in the hands of local civil societies will help them to hold governments to account and cut down on corruption. In its conclusion, this report recommends that other countries should follow suit.

EITI has expanded its members and resources

Some progress has been made with regard to the Extractive Industries Transparency Initiative (EITI). Criteria for validation were agreed in 2007 and 32 countries have signed up to the initiative. Of these, 19 are African.

Liberia is one of only two countries[44] that have applied for and been granted EITI validation and are therefore classified as EITI-compliant. Donor support to the EITI Multi-Donor Trust Fund, which was created in August 2004, has continued to grow, from two donors in 2004 to 13 in March 2010. Funding has increased consistently, from $12 million in March 2007 to $27.8 million in September 2009. However, a further 20 candidate countries that signed up to EITI in 2008 missed the March 2010 deadline for submission of their independent EITI validations. Among the EITI's successes is the generation of previously unavailable information on revenues from these sectors, including the exposure of financial discrepancies and outstanding payments of over $5 billion for revenues generated in 2005 by the Nigerian EITI report in August 2009.

Nevertheless, some argue that the EITI process has been too slow and that its impact has been undermined by a lack of political will to enforce requirements, both at the country level and internationally.

THE NATURAL RESOURCE CHARTER

The Natural Resource Charter is 'a set of economic principles for governments and societies on how to best manage the opportunities created by natural resources for development'. The Charter comprises 12 precepts, outlined below, and which are described as 'the choices and suggested strategies that governments might pursue to increase the prospects of sustained economic development from natural resource exploitation':

- The development of natural resources should be designed to secure **maximum benefit** for the citizens of the host country
- Extractive resources are public assets and decisions around their exploitation should be **transparent** and subject to **informed public oversight**
- **Competition** is a critical mechanism for securing value and integrity
- Fiscal terms must be robust to **changing circumstances** and ensure that the country gets the full value from its resources
- National resource companies should be competitive and commercial operations. They should avoid conducting regulatory functions or other activities
- Resource projects may have serious **environmental and social effects** which must be accounted for and mitigated at all stages of the project cycle
- Resource revenues should be used primarily to promote **sustained economic growth** through enabling and maintaining high levels of domestic investment
- Effective utilisation of resource revenues requires that **domestic expenditure be built up gradually and smoothed** to take account of revenue volatility
- Governments should use resource wealth as an opportunity to secure effective public expenditure and to increase the **efficiency of public spending**
- Government policy should **facilitate private sector investments** in response to new opportunities and structural changes associated with resource wealth
- The **home governments** of extractive companies and **international capital centres** should require and enforce best practice
- **All extraction companies** should follow **best practice** in contracting, operations and payments

Source: Natural Resource Charter website: www.naturalresourcecharter.org/index.php/en/the-precepts

[43] Originally issued in 1976, these guidelines have since been revised a number of times.

[44] The other being Azerbaijan.

Recently, those working on natural resource governance have shifted their focus somewhat towards looking at how deals on natural resource exploitation are done in the first place and how that process can be improved in the future to promote greater transparency. There is also an increased focus on the natural resource value chain. Linked to this, a Natural Resource Charter has been launched, (see inset).

Transparency initiatives have been launched for other sectors

Apart from Liberia voluntarily extending its EITI process beyond oil, gas and minerals to timber, the initiative has not been extended to other sectors. New transparency initiatives have nevertheless been launched. For example, the Construction Sector Transparency Initiative[45] was launched in 2008 and the Water Integrity Network[46] in 2006. The non-governmental organisation Global Witness and partners have also recently launched their own Forestry Sector Transparency Report Card initiative.[47]

An area that received considerably less attention in the 2005 report was the issue of aid transparency – i.e. ensuring that what donors are funding is transparent. The International Aid Transparency Initiative (IATI) was agreed in Accra in 2008 and is aimed at establishing a common standard and timetable for a quantum increase in the availability of information on aid.[48]

On the other hand, the transparency levels of African countries' budgets are not high. The Open Budget Index Survey concluded that, of the countries surveyed, the majority still register poor performance in terms of transparency, placing the onus on African governments as well as their external partners to make improvements.[49]

Some progress in controlling the trade in illegally acquired timber products

In March 2005, the G8 development and environment ministers agreed to 'encourage, adopt or extend public timber procurement policies that favour legal timber', and to assist producer countries in tackling illegal logging through combating corruption and strengthening law enforcement.

The launch of the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN -REDD Programme) in 2008 (by FAO, UNDP and UNEP) has been the major development in this field.[50] It is focused mainly on ensuring that steps are taken by timber-exporting countries to protect their forests, but it also aims to create common global standards on the exploitation of forest resources.

THE IMPACT OF CAPITAL FLIGHT ON AFRICA

Capital flight is the flow of money and assets from a country in search of increased stability or greater returns. Funds can leave by both legal and illegal means. Illegal means include corruption and tax evasion.

Capital flight affects sub-Saharan Africa more than any other region. According to the Washington-based organisation Global Financial Integrity, $624 billion has left the region over the past 40 years and outflows have continuously increased over that period.

For every $1 in aid, it has been estimated that, between 2000 and 2008, $2.24 left the region in illicit capital flows.

This drain on resources has a negative impact on hard currency reserves, fuels inflation, reduces tax receipts, cancels out investment and undermines free trade.

Source: Dev Kar and Devon Cartwright-Smith. *Global Financial Integrity: Illicit Financial Flows from Africa: Hidden Resource for Development*. March 2010. www.gfip.org/index.php?option=com_content &task=view&id=300&Itemid=75

The USA has changed its laws to make it an offence to import timber that has been illegally sourced according to the laws in its country of origin. There are ongoing discussions within the EU on steps to prevent the trade in illegally harvested timber. Otherwise, all schemes to tackle the trade in illegally acquired forest products remain voluntary.

The governments of the UK, Belgium, Canada, Denmark, France, Germany, Holland, Japan and the USA have, however, put in place procurement policies to ensure that only legally sourced timber products are used by those carrying out government contracts.

Impact of anti-bribery requirements on export credits is unclear

To tackle corruption, the report called upon developed countries to make their export credit agencies (ECAs) more transparent. The Gleneagles Communiqué committed to 'strengthening anti-bribery requirements for those applying for export credits and credit guarantees'. The OECD Action Statement on Bribery and Officially Supported Export Credits was agreed in 2006. It is unclear what impact this has had in practice. There are concerns that controls on export credits are being relaxed as a result of the current economic climate to enable companies to access export credits more rapidly.

45 www.constructiontransparency.org

46 www.waterintegritynetwork.net

47 www.foresttransparency.info

48 www.aidtransparency.net

49 More than half of the countries surveyed from the sub-Saharan African region released scant or no budget information. The average score for the region was 25 (out of 100), compared with France, New Zealand, South Africa, the UK, and the USA, which all scored 80 (out of 100). www.openbudgetindex.org/index.cfm?fa=keyFindings.

50 www.un-redd.org

Little progress on repatriating stolen assets

In line with the report's other recommendations on corruption, the Gleneagles Communiqué committed the G8 to early ratification of the UN Convention Against Corruption (UNCAC), to the freezing of stolen assets and to taking steps to prevent the proceeds of corruption reaching financial centres.

Little progress has been made on repatriating stolen assets. The UN and the World Bank launched the Stolen Assets Recovery (StAR) initiative in 2007.[51] Most of its efforts to date have been at the policy level, and the initiative has yet to see any asset recoveries as a result of its activities. It hopes to see some by the end of 2010 – though these are likely to be modest.

There is little information available on stolen assets that have been repatriated through other means, but what information there is – including a report for the 2008 G8 Summit – indicates limited progress. The 2009 OECD/UNECA/Africa Partnership Forum Mutual Review of Development Effectiveness found that there had been 'little progress ... made in asset repatriation from financial institutions operating in development partner countries'.[52]

The Commission's 2005 report identified corruption as a major obstacle to development, as it diverts aid and other resources from productive use. It gave less attention to other causes of capital flight, such as corporate tax evasion, which some have argued account for a higher percentage of illicit capital flows out of Africa.[53]

141 countries have ratified the UN Convention Against Corruption (UNCAC)

To date, 141 countries around the world have ratified UNCAC. A peer review mechanism was agreed in November 2009. Campaigners argue, however, that the mechanism has 'no teeth'.

Forty-four African countries have signed up to and 31 African countries have ratified the 2003 AU Convention on Corruption. Of the AU's 2010 budget, 10% has been earmarked specifically for anti-corruption activities and the creation of a new anti-corruption commission.

In 1997, OECD member states adopted the Convention on Combating Bribery of Foreign Public Officials in International Transactions. The convention now has 38 signatories. Key findings of a 2009 report on progress in implementing it were that four countries (Germany, Norway, Switzerland and the USA) have made active progress in enforcement, while 11 countries have made moderate progress; 21 countries, however, have made little or no progress.[54]

Support to build Africa's statistical capacity has increased marginally, but it remains considerably under-resourced

According to the 2009 Partner Report on Support to Statistics (PRESS), published by the PARIS21 Partnership in Statistics for Development in the 21st Century, financial disbursements to Africa for statistical development rose by 37% from $309 million in the three-year period 2006-2008 to roughly $422 million for the period 2007-2009. The effectiveness of this support has also improved.[55]

The AU adopted a Charter on Statistics in February 2009, committing African countries to improving their own statistical capacity and also to coordinating with each other in developing systems for gathering and analysing data and in sharing information.[56] Eighteen countries have signed the Charter, but only Mauritius has ratified it.

However, support to this vital area from both African governments and donors is still inadequate and Africa's statistical capacity remains low. Much greater investment is needed to address this issue. When asked by the *Wall Street Journal* how he would spend $10 billion to alleviate the world's problems, mobile phone entrepreneur Mo Ibrahim said that he would spend it on improving Africa's statistical capacity. He argued that better data would enable better policy-making by governments and donors and better investment decisions by the private sector, and would empower citizens to hold their governments to account.[57]

The 2005 report recognised that insufficient attention was being paid to grassroots participation at all levels of development activity, both by national governments and by foreign donors. No recommendation was made on this point, but recent poverty hearings held by African Monitor indicate that this remains an issue.[58] It found that national resources are rarely devoted to addressing the needs of the most vulnerable people and that their perspectives and needs are still not reflected in policy priorities, nationally or internationally.

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51 www1.worldbank.org/publicsector/star_site/index.html

52 UNECA/OECD. *Mutual Review of Development Effectiveness in Africa Report 2009: Promise and Performance*. p.47.

53 Dev Kar and Devon Cartwright-Smith. *Global Financial Integrity: Illicit Financial Flows from Africa: Hidden Resource for Development*. March 2010. www.gfip.org/index.php?option=com_content&task=view&id=300&Itemid=75

54 Transparency International. *Enforcement of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions: Progress Report 2009*.

55 The Paris Declaration Evaluation and the DAC Fragile States Group commissioned the *Evaluation of the Implementation of the Paris Declaration Thematic Study of Support to Statistical Capacity Building: Synthesis Report*, published in May 2009. It found that the results of support to statistical capacity have improved and that this support is most effective when integrated into larger programmes. However, the increasing tendency to deliver support through globally managed initiatives, alongside the fragmented beneficiaries at the country level, is undermining the impact of increased support.

56 www.africa-union.org/root/UA/Annonces/AU-summary_ENG_printLD.pdf

57 *Wall Street Journal*. February 2010: online.wsj.com/article/SB10001424052748703704575075350668982866.html?mod=googlenews_wsj

58 Poverty hearings are public events or platforms aimed at gathering evidence about poverty from those that experience it and bringing them into dialogue with other key stakeholders to discuss poverty.

THE NEED FOR PEACE AND SECURITY

PEACE AND SECURITY RECOMMENDATIONS IN THE 2005 REPORT

Tackling the causes of conflict, and building the capacity to manage them

- Make aid more effective at reducing conflict through the use of assessments of how to reduce risk of violent conflict and improve human security in assistance strategies.
- Open negotiations on an international Arms Trade Treaty (ATT) no later than 2006.
- Adopt effective and legally binding agreements on arms brokering and common standards on monitoring and enforcement.
- Control the trade in natural resources that fund wars by:
  - Agreeing a common definition of 'conflict resources'.
  - Creating a permanent Expert Panel within the UN to monitor links between natural resource extraction and violent conflict and implementation of sanctions.
- OECD countries should develop and implement clear and comprehensive guidelines for companies operating in areas at risk of violent conflict.

Building regional and global capacity to prevent and resolve conflict

- Donors should agree to fund at least 50% of the AU's Peace Fund from 2005.
- UN and regional organisations should clarify their respective roles and responsibilities.
- Establish the UN Peacebuilding Commission.

Post-conflict peace-building

- Donors should fund the rapid clearance of arrears for post-conflict countries to enable early access to concessional financing from international financial institutions. They should also allocate long-term and predictable grant financing sufficient to meet the reconstruction needs of post-conflict countries.

The overriding recommendation from the Commission's 2005 report was that more should be invested in conflict prevention.

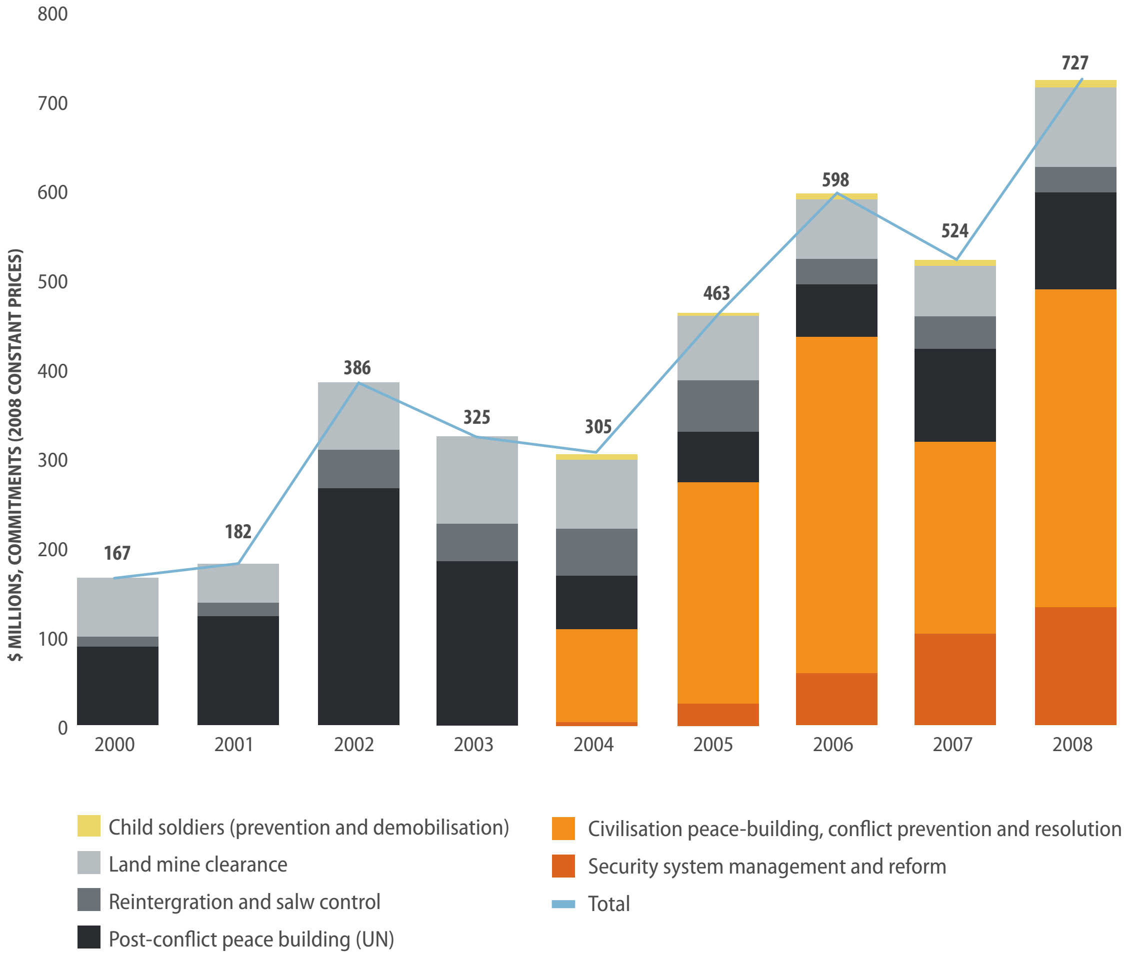
The report supported the principle of African solutions to African problems, arguing that those closest to potential conflicts are best placed to prevent them from escalating and turning violent. Only when those closest cannot cope should others – such as neighbouring countries or the international community – step in.

It therefore called upon the international community to give full support to African efforts to prevent as well as respond to conflicts, but it also called for international action to tackle factors that contribute to insecurity in Africa – such as the trade in conflict resources and the irresponsible transfer of weapons.

Donors have taken some steps to ensure that their aid supports conflict prevention and resolution

Many donors are giving increased attention to 'fragile' states and conflict-related issues and some have developed new guidance and tools to promote sensitivity to conflict in development programmes. There is little information, however, on whether these steps have improved the effectiveness of development assistance in supporting peaceful societies.

FIGURE 6: DONORS SUPPORT FOR CONFLICT PREVENTION IN AFRICA 2000-2008



Source: DAC International Development Statistics

As illustrated in Figure 6, DAC donors have increased funding to peace- and security-related issues.

As discussed in the resources section below, much of the increased funding to fragile states has been concentrated in a small number of countries such as Iraq, Afghanistan and the DRC, with many lower-profile countries still missing out. Furthermore, aid to such countries in Africa could be declining.[59] Such countries have also been particularly vulnerable to the impact of the global financial crisis, as well as to the rises in fuel and food prices, which threaten to undermine progress in a number of post-conflict countries.[60]

Policy and operational coordination between development, defence and diplomacy remains one of the key challenges to greater effectiveness in conflict-affected situations.[61]

Slow but steady progress towards an international Arms Trade Treaty

The Commission's recommendation that 'as a matter of priority and no later than 2006, the international community should open negotiations on an international Arms Trade Treaty (ATT)' played an important role in ensuring that a start was made on discussions on an ATT in 2006. That year, 153 countries, voted in favour of a resolution put before the UN General Assembly mandating a beginning to discussions on the ATT, though not formal negotiations, which will only begin in summer 2010.

Objections to an ATT from a small but highly significant group of countries have slowed progress. Many of the major arms exporters outside Europe are among those countries that have consistently abstained or, in

[59] According to DAC Forward Spending Plans 2009–2011 (2009), it was estimated that Country Programmable Aid (CPA) to African fragile states would experience a net fall of $368 million in 2009. CPA is the amount of money a country can programme itself as it sees fit – i.e. it is the aid that remains after deducting humanitarian aid and debt relief, imputed student costs, administrative costs, the costs of the promotion of development awareness, research and refugees in donor countries, food aid and aid from local governments, and core funding of NGOs.

[60] OECD. 2010. *Ensuring Fragile States Are Not Left Behind*

[61] See, for example, DAC. March 2010. *Monitoring the Principles for Good International Engagement in Fragile States and Situations. Fragile States Principles Monitoring Survey: Global Report.* www.oecd.org/dataoecd/18/16/44651689.pdf.

the case of the USA until 2009, voted against the ATT. However, the process speeded up somewhat last year, when the group of member states charged with continuing discussions decided to proceed to formal negotiations, meaning that in 2010 and 2011 there will be Preparatory Committees for a final negotiating conference in 2012.

Progress against the Commission's second arms-related recommendation on arms brokering is closely tied to the successful negotiation of an ATT. A UN Group of Governmental Experts on brokering was set up in 2005, but it looked only at small arms, not all conventional weapons, and recommended only voluntary, not legally binding, measures. However, the Commission also recommended that new measures on brokering be integrated into the ATT, and a large number of countries referred to the importance of improving controls on brokering in their submissions to the Secretary-General on the scope of the ATT. Brokering should therefore be part of the negotiations for an ATT.

No further international action to control the trade in natural resources that fund wars

Unfortunately, there has been considerably less progress in combating the role played by 'conflict resources' in starting and fuelling conflicts, as the G8 committed to do in the Gleneagles Communiqué.

To speed up action to control the trade in natural resources that fund wars, the Commission recommended that the international community agree a common definition of 'conflict resources' and set up a permanent UN Expert Panel to monitor the links between natural resource extraction and violent conflict and the implementation of sanctions. When it was president of the Security Council, Belgium initiated a Security Council debate on the relationship between natural resources and conflict, but this did not result in any further action, and no other steps have been taken on this issue.

More recently, the Communiqué from the G8 Summit in Muskoka gave particular attention to the issue of conflict resources. It did not, however, make any new commitments and campaigners are increasingly looking to the role that the Peacebuilding Commission could play in coordinating international action on conflict resources.

Further guidance to companies operating in areas at risk of violent conflict issued, but weak

In 2006, the OECD created a Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones. However, this tool has not been incorporated into the broader guidelines and does not provide guidance, voluntary or otherwise, about what principles and standards of good practice may be applicable.

All parts of the African Peace and Security Architecture are now in place and some developed countries have expanded their support to conflict prevention

Much of the debate in 2005 on 'African Solutions to African Problems' was focused on how developed countries should support Africa in providing a military response to conflicts, and previous G8 summits, particularly Sea Island in 2004, had focused considerable attention on peacekeeping capacity. The Commission's report argued that, while the international community must continue to support Africa in strengthening its peacekeeping capacity, it needed to broaden its support to increase investment in more effective prevention and non-military means to resolve conflict. The Gleneagles Communiqué committed the G8 to doing this with a section on how the G8 countries would 'help Africa prevent conflict and ensure that previous conflicts do not re-emerge'.

The AU has now put in place all the elements of its proposed African Peace and Security Architecture (APSA). Additional progress has been made in the African Standby Force (ASF), with some of the regional brigades nearing completion; the Continental Early Warning System (CEWS), which is operational; and the Peace and Security Council (PSC) and the Panel of the Wise, which are meeting regularly.[62]

G8 countries reported back on progress in their support to peacekeeping/peace-building activities at the 2009 G8 Summit. The main benchmark was the targets set at the 2004 Sea Island summit, to be achieved by 2010. The key commitment made then was to train 75,000 peacekeeping troops worldwide by 2010; according to their own assessment, the G8 are on track to exceed that goal.

Some donors have also broadened their support to increase their focus on conflict prevention and non-military aspects of the APSA. The biggest donor to the APSA has been the EU African Peace Facility. In 2007, the AU and the EU agreed to broaden the scope of the African Peace Facility further to include greater focus on conflict prevention and post-conflict peace-building. The sum of €100 million ($132 million)[63] has been allocated towards building the capacity of the whole of the APSA; €600 million ($790 million) has been given to support peace operations; and €15 million ($19.7 million) of additional support has been given towards funding an early response mechanism.[64]

Donors have not provided 50% of the AU's Peace Fund

Although some donors have also contributed to the AU's Peace Fund, this support has been limited and has not come anywhere near the 50% recommended

62 Africa Progress Panel. 2010. *From Agenda to Action: Turning Resources into Results for People.*

63 Using July 2010 exchange rates.

64 europafrica.net/jointstrategy/1_peace-and-security/

by the Commission. Most funds in support of AU operations have been provided via other channels rather than directly to the AU, and there has been little movement on providing the AU with access to UN-assessed contributions to fund operations.

The AU itself has decided to increase member states' contributions to the Peace Fund from 6% to 12% of the budget over a period of three years, beginning in 2011.[65]

African regional organisations and the AU have clarified and agreed their roles in responding to conflict

The AU and the regional economic communities (RECs) signed a 'Memorandum of Understanding on Cooperation in the Area of Peace and Security between the African Union, the Regional Economic Communities and the Coordinating Mechanisms of the Regional Standby Brigades of Eastern Africa and Northern Africa' in early 2008.[66] This includes articles outlining the division of responsibility between the AU and the RECs in responding to emerging conflicts. It firmly establishes Africa's leadership while obliging signatories to keep the UN Security Council informed of activities.

The UN Peacebuilding Commission was set up in 2006 – but does not focus on conflict prevention

Another area of progress with regard to peace and security has been the creation of the UN Peacebuilding Commission (PBC), as recommended by the Commission for Africa as well as the United Nations High Level Panel on Threats, Challenges and Change. The resolution creating the PBC was passed by the UN in December 2005, and the body started its work on its first two cases, Burundi and Sierra Leone, in 2006. It has since also worked on Guinea-Bissau and the Central African Republic. The PBC's funding for 2008 was $98.1 million.

Contrary to the recommendations of both the High Level Panel and the Commission for Africa, the focus of the PBC is solely on post-conflict peace-building and not on prevention – although its remit does include the possibility of working on countries at risk of lapsing or relapsing into violent conflict. Its support to Guinea-Bissau was therefore significant as it is not a post-conflict country, but had requested assistance from the PBC because of its growing concerns about security.

The work of the PBC will be formally reviewed in 2010. The general assessment so far appears to be mixed. The PBC has provided some degree of strategic coordination but it is not clear that it has influenced how international actors actually behave 'on the ground'. It has also tracked aid flows against pledges to the four countries on which it has worked, with the support of the Peacebuilding Support Office, but it has been accused of getting bogged down in the detail of developing strategic documents rather than holding partners to account for their actions.[67] A review of the PBC's funding mechanism, the Peacebuilding Fund, highlighted the need to build capacity and think about sustainability earlier on to give a clearer set of priorities.[68]

Access to debt relief for post-conflict countries is still too slow

Similarly, there has been limited progress against the final recommendation of the section on peace and security, which called on donors to fund the rapid clearance of post-conflict countries' international debt payment arrears, so that they can access long-term concessional financing. For example, Liberia achieved completion point for reached decision point for debt relief under the Heavily Indebted Poor Countries (HIPC) initiative in July 2010. This is one of a number of landmark achievements for this once war-torn country, but comes seven years after the peace deal that brought its civil war to an end. Donors did not fund the 'rapid clearance' of the arrears, and in the end it required a loan from the United States as well as a World Bank grant to clear these in 2007.

There has been some improvement in the level of funding going to post-conflict countries as part of the general increase in investment by donors in fragile states, but as noted above, it tends to be concentrated in a small number of countries.

65 www.africa-union.org/root/ua/Conferences/2009/aout/SUMMIT/31aout/Report/Declaration%20on%20Peace%20%20Security%20-%20Final%20_Eng.pdf

66 www.iss.co.za/uploads/AUMOURECSJUN08.PDF

67 See, for example, the International Peace Institute's Perspectives on the Peacebuilding Commission issue briefs. November 2009.

68 N. Ball and M. van Beijnum. 2009. *Review of the Peacebuilding Fund*. United Nations Peacebuilding Fund, UN, New York.

LEAVING NO-ONE OUT: INVESTING IN PEOPLE

INVESTING IN PEOPLE RECOMMENDATIONS IN THE 2005 REPORT

Education

- African governments must develop national plans for the education sector.
- There should be gender equality in participation in education at all levels.
- School fees should be removed for basic education to encourage greater access.
- Teacher-to-child ratios should be brought down to 1:40 in basic education.
- Education should provide relevant skills for contemporary Africa.
- Donors should provide an additional $7-8 billion per year.

Health

- African governments should invest in rebuilding systems to deliver public health services, and donors should provide $7 billion over five years in support of the AU's New Partnership for Africa's Development (NEPAD) Health Strategy.
- Health workers should be trained and retained to ensure that there are an additional one million health workers by 2015.
- African governments should meet their commitment to allocate 15% of annual budgets for the health sector and put in place strategies for improving health services.
- Donors should increase funding to support these strategies by providing an additional $10 billion annually immediately.
- Strong African leadership is required in promoting women's and men's rights to sexual and reproductive health.
- Donors should fund the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) and the Global Alliance for Vaccines and Immunisation (GAVI).
- Every pregnant mother and child should have a long-lasting insecticide-treated bed net and should be provided with effective malaria drugs.

Water and sanitation

- Donors must immediately reverse the decline in aid for water supply and sanitation.

HIV/AIDS

- The international community must reach a global agreement in 2005 to harmonise the current disparate response to HIV and AIDS.
- African governments and the international community should work together urgently to deliver the prevention, treatments and care. Donors should met the immediate needs and increase their contribution by at least $10 billion annually within 5 years.

Protecting the most vulnerable people

- African governments should develop social protection strategies for orphans and vulnerable children.
- Donors should commit to long-term, predictable funding of these strategies with $2 billion a year immediately, rising to $5-6 billion a year by 2015.
- Donors should support the African Union's NEPAD programme to develop a rights and inclusion framework.

This section of the report dealt with issues usually considered the 'bread and butter' of development: education, health, water and sanitation, responses to HIV/AIDS and assistance to the most vulnerable people.

The report argued that strong and sustained progress in human development requires fundamental change in the way that aid is delivered, by putting its intended beneficiaries at the centre and aligning efforts behind their needs. It argued against the further proliferation of initiatives in favour of a focus on strengthening governments' own systems for delivering essential services.

Significant progress in expanding access to universal primary education and reducing the out-of-school population

Overall, there has been considerable progress since 2005 in expanding access to universal primary education (UPE) and in reducing the out-of-school population, as a result of the priority given to the issue by both African governments and donors within the Education For All – Fast-Track Initiative (EFA FTI) framework.

There has been a significant overall increase in primary school enrolment in sub-Saharan Africa, from 69.1% in 2004 to 76.4%[69] in 2008, and the region has reduced its out-of-school population by almost 13 million, or 28%. The gender gap in primary education is also narrowing in many countries and gender parity has been achieved in 17 countries.[70]

[69] Net enrolment ratios.

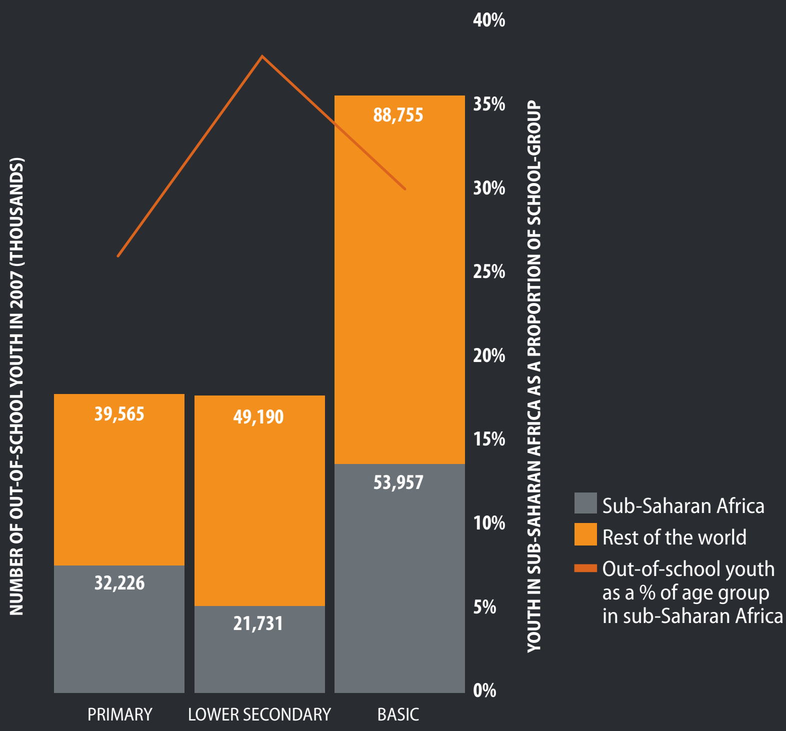
[70] UNESCO. *Education for All Global Monitoring Report 2010* and UNESCO database.

But real limits on that progress – particularly beyond primary education

Nevertheless, differences between countries remain great and sub-Saharan Africa's out-of-school rates remain the highest in the world. Over a quarter of the region's primary school-age children remained out of school in 2007 and 2008,[71] and enrolment in secondary education is still very low, at 34% in 2007. Just 64% of children completing primary school in the region go on to secondary education.[72]

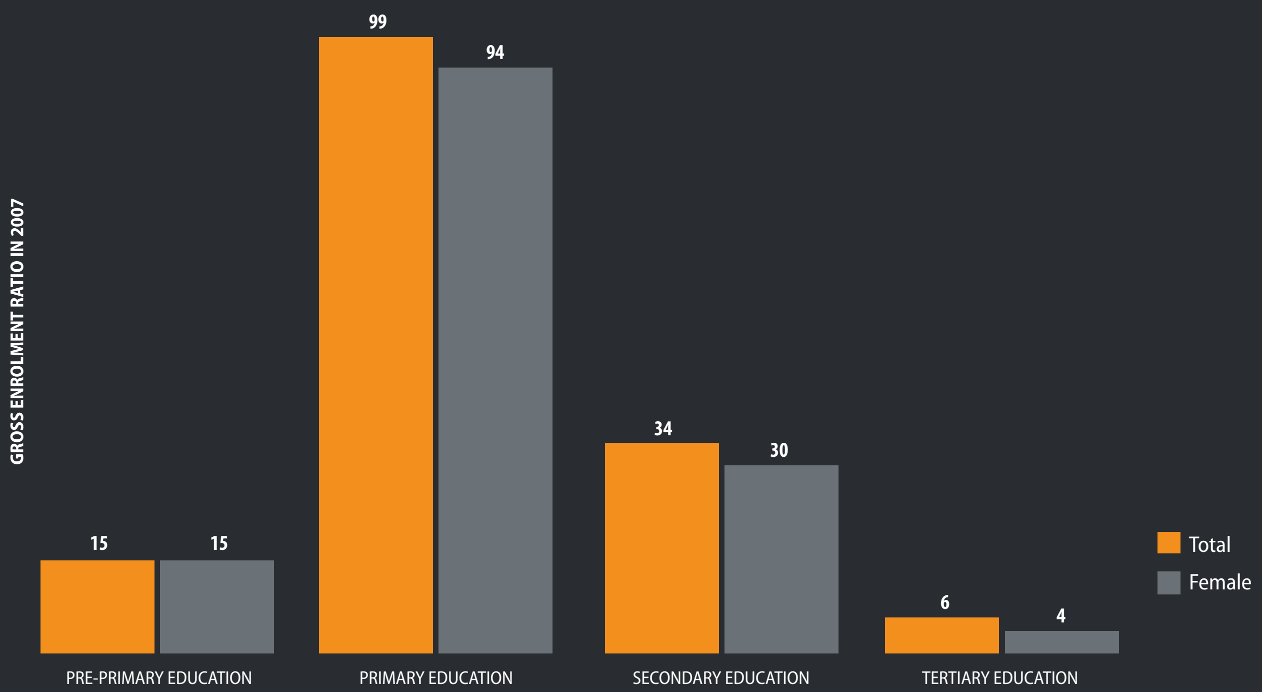
Eighteen countries in the region have fewer than 90 girls in school per 100 boys, and almost 12 million girls may never enrol in school at all.[73] The region failed to reach the gender parity target in primary education set for 2005 and is unlikely to achieve the gender parity targets set for secondary and tertiary education. Children from the poorest 20% of households made up the overwhelming majority of the 32 million out-of-school children in sub-Saharan Africa in 2007.[74]

FIGURE 7: OUT OF SCHOOL YOUTH IN AFRICA COMPARED TO THE REST OF THE WORLD, 2007



Source: UNESCO. 2010. *EFA Global Monitoring Report: Reaching the Marginalised*

FIGURE 8: GENDER PARITY AT ALL LEVELS OF EDUCATION, 2007



Source: UNESCO. 2010. *EFA Global Monitoring Report: Reaching the Marginalised*

71 Sub-Saharan Africa, as a region, has the largest number of out-of-school youth when compared with total out-of-school youth: primary (45% of the total), lower secondary (31% of the total) and basic (38% of the total).

72 UNESCO. *Education for All Global Monitoring Report 2010* and UNESCO database. Refers to school year ending in 2006.

73 Ibid.

74 Ibid.

Completion rates and the quality of education still poor

While the proportion of children completing primary school had risen to 63% by 2007, completion rates have not kept pace with increases in enrolment. It is estimated that for half of all countries in South and West Asia and in sub-Saharan Africa, one child in three enrolling into primary school drops out before completion. Many children enter school late, meaning that by the time they reach adolescence they have still not completed a full primary school cycle.

There is also evidence that many children are failing to master basic literacy and numeracy skills even when they do complete a full cycle of primary education, indicating that the internal efficiency of the primary school system is poor. For example, over 70% of Grade 6 students in Malawi, Namibia and Zambia had not achieved basic maths competency, according to regional assessments.[75]

African governments have developed national action plans for education

Comprehensive National Plans on Education have gained popularity among African countries, but more commitment to these plans is still needed.

Twenty-four African countries already have an education sector plan endorsed by the EFA FTI, and a number of countries have developed plans to improve the quality of education. However, implementation of these plans is often not fully funded. Many countries have scaled up domestic resources allocated to education, assisted in part by debt relief and with particularly sharp increases occurring in Ethiopia, Kenya, Mozambique and Senegal. Average public expenditure on education in sub-Saharan Africa is 17% of overall government expenditure, below the recommended 20%. Over half of all countries in the region have reduced their expenditure on education and some have allocated less than 10% of their budgets to education.[76]

Abolishing school fees is often more complicated than anticipated

A number of African countries have abolished school fees for primary education, including Kenya, Ghana, Ethiopia, Malawi and Mozambique, but the abolition of fees has proven more complex than anticipated. Careful planning and a number of other reforms have been required to ensure that the abolition of fees does not result in a drop in the quality of education. UNICEF and the World Bank set up a School Fee Abolition Initiative in 2005 and the number of donors involved has since expanded.[77]

Many countries have doubled the number of teachers – but there are still not enough

Many countries have more than doubled the teacher workforce and have improved teacher/pupil ratios. In 2007, the teacher/pupil ratio in sub-Saharan Africa was 1:44 – close to the target set by the Commission for Africa. However, there are huge disparities between different countries, with the teacher/pupil ratio ranging from 1:12 to 1:90.[78] While there has been some increase in the proportion of teachers trained, except at pre-primary school level, there are significant numbers of untrained teachers: 50% of pre-primary teachers, 27% of primary teachers and 25% of secondary teachers are untrained. There are very few countries with 100% trained teachers, while 22 countries in sub-Saharan Africa still exceed the recommended teacher/pupil ratio.[79]

It is estimated that 1.2 million additional teachers will be needed in sub-Saharan Africa to achieve the goal of UPE by 2015.[80] There are also large differences between urban and rural schools, with urban schools tending to benefit from more and better-qualified teachers.

Teacher remuneration is also a vital issue, as it affects retention and performance and the deployment of teachers, particularly in rural areas. In many countries, because of budget constraints, pay remains low and many trained teachers are unemployed or migrate because of funding constraints.

Aid to primary education is falling and there is an estimated funding gap for primary education of $6.8 billion a year

There was a 23% increase in DAC aid to primary education between 2004 and 2008, from around $1.3 billion to $1.6 billion.[81] However, aid to primary education has been falling since 2006, when it peaked at $2.1 billion.

On the current trajectory, there is an external funding gap for UPE in sub-Saharan Africa of $6.8 billion per annum, and growth projections indicate that the

[75] ONE. *The DATA Report 2010.*

[76] Sources include Africa Progress Panel. *From Agenda to Action: Turning Resources into Results for People. Africa Progress Report 2010; and Development Support Monitor 2010.*

[77] Sources: World Bank in collaboration with UNICEF. 2009. *Abolishing School Fees in Africa. Lessons from Ethiopia, Ghana, Kenya, Malawi, and Mozambique;* Katarina Tomasevski. 2006. *The State of the Right to Education Worldwide. Free or Fee: 2006 Global Report.* Copenhagen; UNICEF, World Bank and the EFA FTI. November 2009. *Moving Toward Free Primary Education: Policy Issues and Implementation Challenges*. F. Ogola. 2010. *Free Education in Kenya's Public Primary Schools. Addressing the Challenges*. OSSREA Publications.

[78] UNESCO database.

[79] UNESCO. *Education for All Global Monitoring Report 2010.*

[80] Second Decade of Education for Africa (2006–2015). Plan of Action, African Union, August 2006; *EFA Global Monitoring Report 2010*; UNESCO Institute for Statistics. *Projecting the Global Demand for Teachers. Meeting the Goal of Universal Primary Education by 2015*. Technical Paper; UNESCO – IIEP. 2007. *Global Perspectives on Teacher Learning: improving policy and practice*. Paris. Fundamentals of Education Planning Nr. 84

[81] 2009 prices. Figures from ONE. *The DATA Report 2010*

region faces a potential annual loss of $4.6 billion in financing for education in both 2009 and 2010. This represents a potential 10% reduction in spending per primary school pupil.[82]

Furthermore, the FTI has failed to secure additional funding for FTI-endorsed countries,[83] and the education sector has not benefited from the innovative multilateral and private sector financing mechanisms found in the health sector. The US Administration has recently indicated its willingness to support the creation of a Global Fund for Education, which would contribute to meeting the shortfall in funding for education.

Progress in removing fees for basic health care

There has been a growing trend towards the removal of fees for basic health care in Africa over the past five years; some countries that have not been able to abolish fees completely are removing them in a phased manner. Since 2006, nine countries have abolished fees for key primary health care services.[84] Another recent success has been the removal of user fees in Sierra Leone.[85]

Increased aid to health care via national budgets

DAC donors have increased their aid for health, and in 2008 aid to this sector amounted to just over $9 billion.[86] This was an increase of 98% from 2004, when annual funding to health in sub-Saharan Africa was just over $4.5 billion. The importance of building the capacity of national systems was the central message of the 2005 report's section on investing in people. There has been some increase in the amount of aid going through national budgets in support of national systems, and donors increasingly recognise the importance of supporting country systems rather than vertical initiatives.

In 2007, the International Health Partnership was launched to help harmonise donor funding,[87] and GAVI, the Global Fund to Fight Aids, Tuberculosis and Malaria and the World Bank have launched a joint funding platform for support to health systems. Donors have also increased their technical support to governments in developing their health services. Continuing the shift towards supporting national systems is a priority, as is integrating the many different funds that focus on specific health issues.

Sexual and reproductive health services have been scaled up, but remain limited

Many countries have adopted the Maputo Plan of Action on Sexual and Reproductive Health Rights and have scaled up sexual and reproductive health services, although progress varies between countries and between services due to limited financial and human resources. Complementary to the Plan of Action, the AU launched the Campaign on Accelerated Reduction of Maternal Mortality in Africa (CARMMA) in 2009 to increase the availability and use of universally accessible quality health services. According to the Countdown to 2015 maternal and child health campaign, donors increased funding for maternal, newborn and child health by almost 100% to $4 billion per year from 2003 to 2007, but there is an estimated gap of $20 billion per year between what is needed and what is pledged for the period 2011 to 2015. This includes both maternal and child health programmes and the cost of improving health systems.[88]

As noted in the introduction to this report, child health and maternal mortality are the two areas where there has been least progress overall in sub-Saharan Africa. Part of the reason for the lack of movement on maternal mortality has been the underinvestment in reproductive health, with the majority of funds going to infectious diseases. In 2010, the G8 launched the Muskoka Initiative at its summit in Canada. This committed an additional $1 billion per year to support the achievement of MDGs 4 and 5.[89]

[82] *EFA FTI 2009 Annual Report;* Cambridge Education *et al.* 2009. *Mid-Term Evaluation of the EFA Fast Track Initiative, Draft Synthesis Report, Volume 1 – Main Report;* Liesbet Steer and Geraldine Baudienville. *What Drives Donor Financing of Basic Education?.* Project Briefing Nr. 39, February 2010; EFA *Global Monitoring Report 2010;* EFA FTI *2009 Annual Report;* EFA FTI Catalytic Fund. Financial Update, 31 December 2009. 83 EFA FTI. *2009 Annual Report.*

[84] Zambia, Burundi, Niger, Liberia, Kenya, Senegal, Lesotho, Sudan and Ghana.

[85] L. Gilson and D. McIntyre. 2005. 'Removing user fees for primary care in Africa: the need for careful action'. *BMJ* 2005; 331: 762–65; R. Yates. 2009. 'Universal health care and the removal of user fees'. *The Lancet*, Volume 373, Issue 9680, pp.2078–2081, 13 June 2009; W. Wakabi. 2010. 'Mothers and infants to get free health care in Sierra Leone'. *The Lancet*, Volume 375, Issue 9718, p.882, 13 March 2010; BBC News. 'Striking Sierra Leone nurses threatened with the sack'; 'Sierra Leone doctors and nurses get massive pay rise'

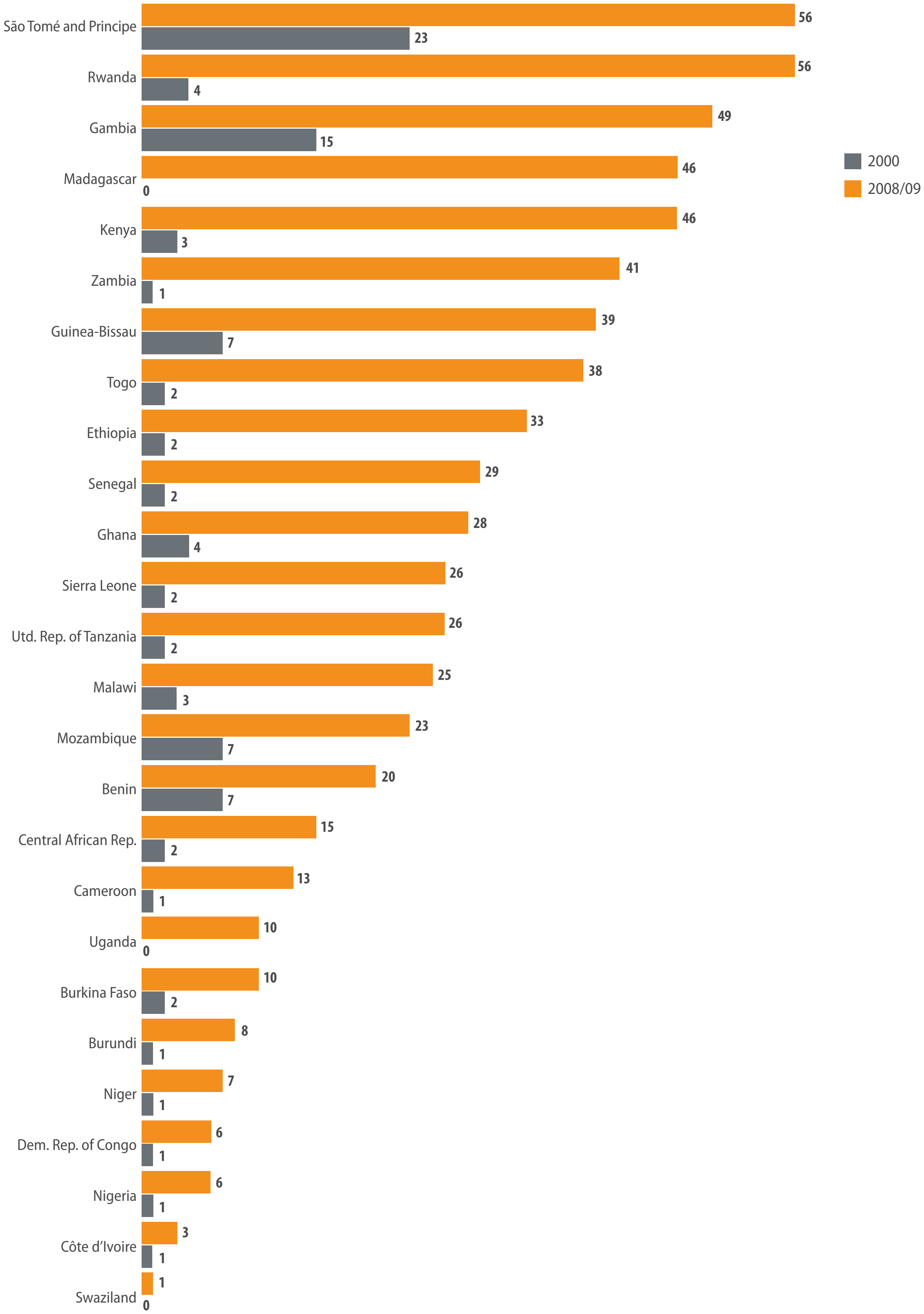
[86] 2009 prices. Africa Progress Panel. 2010. *From Agenda to Action: Turning Resources into Results for People;* ONE: *The Data Report. 2010.*

[87] International Health Partnership (IHP) www.internationalhealthpartnership.net/en/home

[88] New Countdown to 2015 Landscape Analysis. April 2010. www.countdown2015mnch.org/media-centre/2010-latest-news/mnch-analysis

[89] $5 billion was pledged by G8 donors and $2.3 billion by non-G8 donors over the next five years, with the goals of saving 1.3 million children and 64,000 women, together with the strengthening of country-led national systems to deliver these key outcomes. However, the $5 billion pledged by the G8 is still far below the estimated $24 billion needed from them to meet the MDGs (ONE. *The DATA Report.* 2010).

FIGURE 9: PROPORTION OF CHILDREN UNDER FIVE SLEEPING UNDER INSECTICIDE-TREATED BED NETS IN SELECTED SUB-SAHARAN AFRICAN COUNTRIES



Source: *The Millennium Development Goals Report, 2010*

Significant progress in expanding access to bed nets and in tackling polio

There has been significant progress in expanding access to bed nets, with the delivery of approximately 140 million long-lasting insecticidal nets to African countries with a high burden of malaria in the period 2006 - 2008. More than 30% of African households were estimated to own at least one insecticide-treated net (ITN) in 2008, compared with 17% in 2006, and 24% of children under the age of five had used an ITN. In some areas of countries such as Eritrea, Rwanda, São Tomé and Principe, Zambia and Zanzibar, which have achieved high levels of coverage, there have been reductions of more than 50% in the numbers of reported malaria cases and deaths. However, ownership of bed nets is still way below the WHO target of 80% of households and ownership remains low in a number of large African countries. Variations in the distribution of bed nets are illustrated in Figure 9.[90]

There are still a huge number of preventable deaths from malaria every day in Africa and it continues to account for 40% of all health care costs in many African countries. To tackle the disease, the use of bed nets needs to continue to expand but also there needs to be greater investment in the diagnosis of malaria and in ensuring that effective drugs are available to all.

In the past year in particular, there has been significant progress in polio eradication. Africa experienced an 88% decline in polio cases in the first half of 2010 compared with the same period in 2009. Nigeria, the only polio-endemic country in Africa, has reported just three cases in 2010 compared with 312 cases for the same period in 2009. A synchronised mass polio vaccination campaign across the region had reached over 85 million children with oral polio vaccine by mid-2010. Ten of the 15 previously polio-free countries in West and Central Africa that were re-infected have successfully stopped their outbreaks. By the end of July 2010, the Horn of Africa will have been polio-free for a year, despite major challenges.[91]

Health has been the main focus for innovative funding mechanisms

In line with the Commission for Africa's recommendation, donors have increased their support to the Global Alliance for Vaccines and Immunisations (GAVI), particularly through the International Finance Facility for Immunisation (IFFIm). Launched in 2006, the IFFIm has been raising funds on international capital markets by issuing bonds backed by long-term pledges from donor countries to support GAVI's immunisation efforts. IFFIm bonds have raised $2.3 billion of additional funding, enabling GAVI to double spending on immunisation. Funding to the IFFIm is provided by France, Italy, Norway, Spain, Australia, the Netherlands, Sweden, South Africa and the UK, which collectively, have pledged $5.3 billion over 20 years. The Netherlands joined the donor group in 2009, committing $100 million over seven years. The aim of the IFFIm is to raise $4 billion on capital markets by 2015 to assist with the immunisation of half a billion children.

According to the GAVI Alliance, since 2000 more than 257 million children have been immunised with GAVI-supported vaccines, and this year it is estimated that the number will pass 300 million, with the result that 5.4 million future child deaths will have been prevented. However, there is a financing gap of $4.3 billion to meet the projected demand and to roll out pneumococcal and rotavirus vaccines, which, it is estimated, will save 4.2 million lives.[92]

However, African governments' funding to health remains below recommended levels and is falling

Some countries have increased their expenditure on health, enabled to do so in part by the proceeds of debt relief, but very few have achieved the 15% target set by African governments in Abuja in 2001.[93]

The average budget allocation to health in Africa is 9.6% of total government spending. Funding for health varies widely between countries, as illustrated in Figure 10 (overleaf), but the percentage of GDP spent on health by the vast majority of African governments remains well below what is required to achieve either a functional basic health system or the Abuja target. Half of sub-Saharan African countries have in fact reduced their public spending on health as a proportion of GDP.[94]

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[90] WHO. *World Malaria Report 2009*. www.who.int/malaria/world_malaria_report_2009/en/index.html.

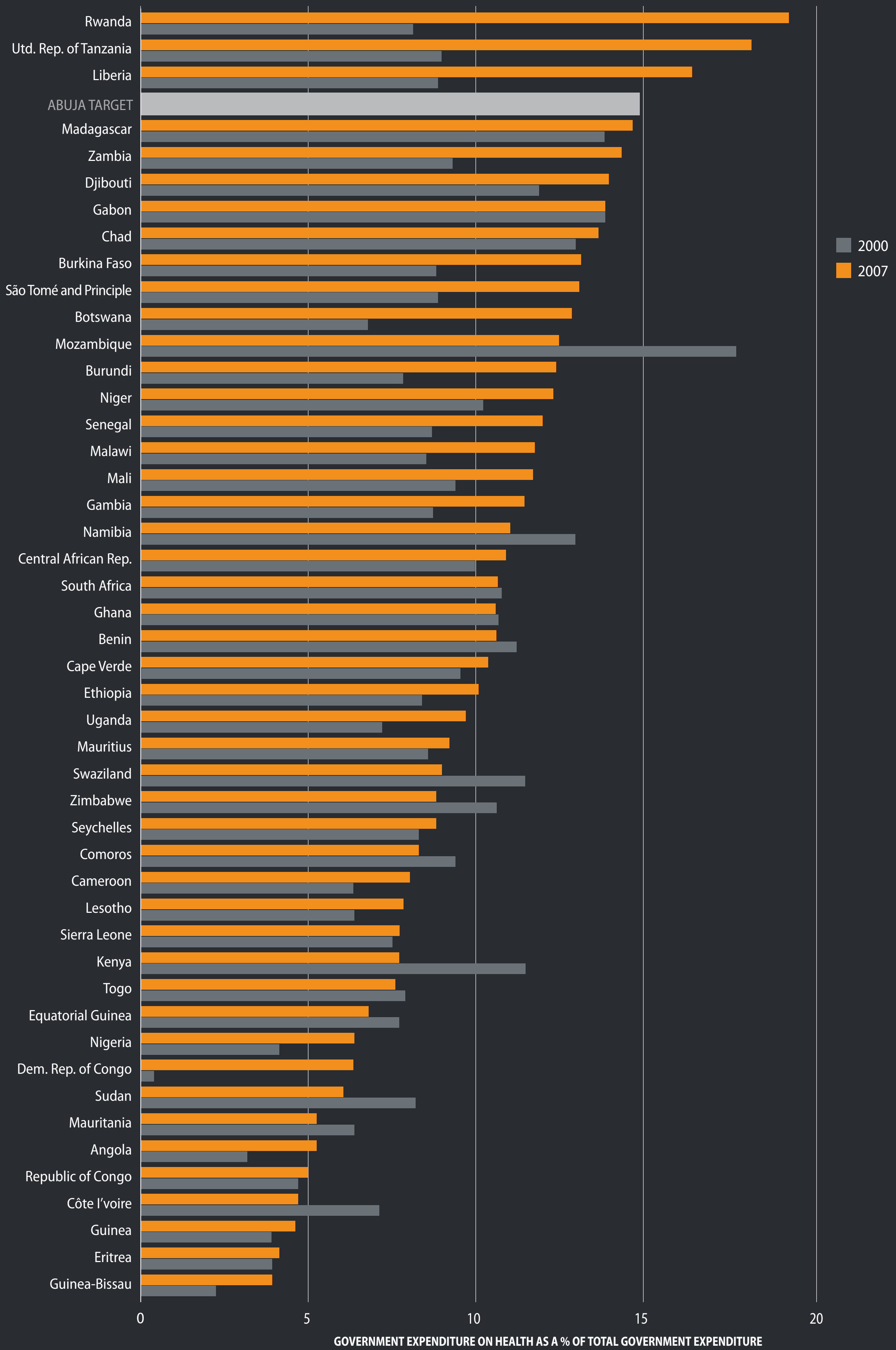
[91] WHO, Global Polio Eradication Initiative (GPEI). www.polioeradication.org

[92] GAVI Alliance. *Saving Lives and Protecting Health: Results and Opportunities.* www.gavialliance.org/resources/GAVI_Updated_Results_EN_May2010.pdf; GAVI Alliance Progress Report 2009. www.gavialliance.org/resources/2009_GAVI_Alliance_Progress_Report.pdf.

[93] By 2007, just three African countries had met the Abuja target of 15% of total government expenditure being allocated to health – Rwanda, Tanzania, and Liberia (WHO database).

[94] African Union. 2007. Africa Health Strategy: 2007–2015; Africa Public Health Alliance: 2010 Africa Health Financing Scorecard.

FIGURE 10: CHANGES IN EXPENDITURE IN HEALTH BY AFRICAN COUNTRIES FROM 2000-2007



Source: World Health Organisation. See www.who.int

The brain drain of health workers continues to undermine capacity

Data on the number of health workers are limited, but what there is indicates that there has been little increase in the numbers of trained health workers. Both the training and retention of health workers remain major problems that have been inadequately addressed, despite African governments and donors repeatedly recognising their significance. Ethiopia, for instance, trains 200 doctors a year for a population of 75 million.[95] International migration of trained African health workers continues as a symptom of poor pay and working conditions, as well as indicating international demand for their skills. Among the 57 countries that are facing a critical shortage of doctors and nurses, 36 are in sub-Saharan Africa. Among 14 countries where over half of all locally born doctors work in OECD countries, six were identified by WHO in 2006 as experiencing critical shortages of health professionals. All but one of these countries was in sub-Saharan Africa.[96]

Real progress in checking the spread of HIV/AIDS in Africa and in expanding access to treatment

The 2005 report noted the devastation that HIV/AIDS had already brought to Africa and the threat it posed not just to individuals but to all aspects of the continent's development. It focused on how appropriate prevention, treatment and care services could be made available to all by mobilising and integrating the international response behind coherent and comprehensive national strategies. The G8 Communiqué in 2005 committed the G8 to supporting efforts to get 'as close as possible to universal access to treatment for all those who need it by 2010'.

As the report recommended, steps have been taken to harmonise responses to HIV/AIDS. The Political Declaration on HIV/AIDS (2006) introduced the goal of supporting country-driven plans in sub-Saharan Africa for scaling up HIV prevention and treatment. Greater resources have been mobilised to implement expanded HIV/AIDS programmes.[97] Globally, donors disbursed $7.7 billion to fight HIV/AIDS in 2008, compared with $3.5 billion in 2005.[98] According to a 2009 update on the epidemic, new HIV infections have been reduced by 17% over the past eight years. For sub-Saharan Africa specifically, the number of new infections is approximately 15% lower than it was in 2001.[99]

The 3 by 5 initiative,[100] launched in 2003, saw access to life-prolonging antiretroviral treatment (ART) increase ten-fold between then and the end of 2009, so that now over four million people have access to treatment. By the end of 2008, 2.9 people million in sub-Saharan Africa were receiving ART and the coverage rate was 43%, up from 14% in 2005. In Rwanda, for instance, ART coverage increased from 1% in 2003 to almost 71% in 2007, aided by a 40-fold increase in the number of ART sites.[101]

Mother-to-child transmission is responsible for about 20% of all new HIV infections in sub-Saharan Africa. In 2008, 45% of HIV-positive pregnant women received ART for the prevention of mother-to-child transmission (PMTCT), compared with 17% in 2007.[102]

In terms of prevention, most epidemics in the region appear to have stabilised, though often at very high levels, and adult HIV prevalence appears to be falling in a growing number of countries.

But there is still much to do to stop the spread of HIV/AIDS

Despite significant progress, sub-Saharan Africa's epidemic continues to outpace the response and it remains the most heavily affected region in the world. Some 35% of HIV infections and 38% of AIDS deaths occur in the region, which is home of 67% of all people living with HIV.[103] Women are disproportionately affected in comparison with men, especially young women, and the impact of the HIV/AIDS epidemic has reshaped the region's population structure, leading to dramatically lower life expectancies at birth. Although the absolute number of new infections declined from 2.5 million to 1.9 million between 2001 and 2008, sub-Saharan African accounted for 71% of all new infections.

Rates of access to ART for pregnant women still need to improve. Although it is being scaled up, access to paediatric AIDS treatment lags behind adult treatment. Moreover, the gains in expanding access to treatment cannot be sustained without greater progress in reducing the rate of new infections. Comprehensive knowledge about HIV/AIDS is low; fewer than 20% of people living with HIV know their status. Among the existing challenges are weak health systems to support scaling up effective interventions on HIV prevention.

Funding for HIV/AIDS is still insufficient. The amount needed to achieve universal access to treatment, prevention and mitigation interventions in Africa alone was estimated to amount to more than $41 billion in

95 To put this in context, the UK trains more than 6,000 doctors for a population of about 60 million.

96 UNDESA. 2010. *Health Workers, International Migration and Development*

97 The United States, in particular, has made significant contributions through its President's Emergency Plan for AIDS Relief (PEPFAR).

98 This analysis was conducted by UNAIDS, the Kaiser Family Foundation and the Stimson Center, based on data provided by governments (including the G8), other DAC donors and the European Commission. The totals include bilateral assistance and contributions to the Global Fund and to UNITAID (the international drug purchase facility). They do not include multilateral institutions (such as the World Bank), the private sector or domestic resources. Also, the figures reflect resources earmarked for HIV in general, not for Africa in particular. *Financing the Response to AIDS in Low and Middle Income Countries: International Assistance from the G8, EC and Other Donor Governments in 2008*. July 2009.

99 WHO. 2010. *The African Health Monitor: Achieving the Health MDGs in the African region*

100 This was a global effort to provide four million people in low and middle-income countries with ART.

101 WHO. 2010. *The African Health Monitor: Achieving the Health MDGs in the African region*

102 Ibid.

103 UNAIDS figures, 2009.

the period 2007-2011. The funding needs of the Global Fund alone stand at $17-20 billion for 2011-2013. There are also concerns about the efficiency and effectiveness with which resources are being used, and coordinating responses to HIV/AIDS continues to be a major challenge.

Investment in water and sanitation has increased, but remains well below what is needed

Some donors have reversed the decline in funds going to support water and sanitation. DAC aid for water and sanitation in sub-Saharan Africa rose from $1.9 billion in 2004 to $2.7 billion in 2008: overall, it has increased by 41%.[104] However, this area remains under-funded and, as discussed in the introduction to this report, despite considerable advances in individual African countries, the region will miss the relevant MDG targets by some way. The Joint Statement on 'A Stronger G8-Africa Partnership on Water and Sanitation' announced at the 2009 L'Aquila G8 Summit committed both Africa and the G8 to doing more – including, on the G8 side, to mobilising further resources.

The 2008 declaration made by African governments on 'Accelerating Water Security for Africa's Socio-economic Development' and the 'Sharm El-Sheikh Commitments for Accelerating the Achievement for Water and Sanitation Goals in Africa' remain unfulfilled. The 2010 target of allocating 0.5% of GDP for sanitation and hygiene, set by African ministers in 2008, will be missed by most countries.

Policies on the protection of orphans and vulnerable children are not being translated into action

The 2005 report recommended that African governments develop social protection strategies, particularly with regard to orphans and vulnerable children (OVC), and that they implement the UN Framework for the Protection, Care and Support of OVC. It called upon donors to support governments in this.

In 2009, the AU adopted a Social Policy Framework for Africa that recommended scaling up social protection to mitigate the economic and social impacts of the AIDS epidemic on children and other vulnerable groups. In 2008, the Southern African Development Community (SADC) launched a Strategic Framework on Orphans, Vulnerable Children and Youth, which provides a framework for the development of a minimum package of social protection services. In the past five years, several African countries have introduced social protection strategies for children and other vulnerable groups, with or without donor assistance. These include the OVC programme in Kenya, the Productive Safety Nets Programme in Ethiopia and the introduction of an old age pension in Lesotho.

As of 2008, 38 countries in the AU had agreed to implement social protection programmes. Of 35 priority sub-Saharan African countries, 29 (82%) have national plans that focus explicitly on orphans or include them within policies applying to all children, compared with just 50% of countries in 2004. The UN Framework for the Protection, Care and Support of OVC is receiving increased attention and issues relating to vulnerable children are being integrated into national plans.

However, many national plans have not been translated into action, because governments have not allocated the resources needed to implement them.[105] Donor support has also been insufficient. At the national level, it has been found that donors often intervene in the social protection policy process, but without providing support to existing institutions that already deliver social protection.[106]

[104] 2009 prices. DAC statistical database.

[105] AU. 2009. *Social Protection in Africa: an Overview of the Challenges*.

[106] ODI. 2010. *Social Protection in Africa: Where Next?*

GOING FOR GROWTH

GROWTH RECOMMENDATIONS IN THE 2005 REPORT

Promoting growth

- Africa should achieve an overall average growth rate of 7% by the end of the decade and sustain it thereafter.
- Donors should provide an extra $10 billion a year up to 2010 and a further increase of $20 billion a year up to 2010 for investment in infrastructure.
- Donors, government and the private sector should coordinate their efforts behind the Investment Climate Facility of the African Union's NEPAD programme.
- To promote agricultural and rural development, Africa must double the area of arable land under irrigation by 2015.

Poor people's participation in growth

- Developed countries should set up a $100 million African Enterprise Challenge Fund to support private sector initiatives that contribute to small enterprise development by giving enterprises better access to markets.
- African governments should take the lead in promoting employment for young people.

Promoting the role of business

- Businesses must sign up to the leading codes of good social and environmental conduct, including on corruption and transparency.

The environment and climate change

- In support of the Environment Initiative of the African Union's NEPAD programme, donors should strengthen environmental consideration in all their programmes.
- Developed countries should set targets for greater use of cleaner energy technologies to stimulate the global market. They should meet their commitments on funding to help African countries adapt to the risks and impacts of climate change.

The report's section on 'Going for Growth and Poverty Reduction' argued that accelerating growth and ensuring that poor people participate in that growth were essential to poverty reduction.

It set the overall goal of achieving an average growth rate of 7% by the end of the decade and sustaining it thereafter. It argued that this was achievable, but only if the obstacles of weak infrastructure and a poor investment climate were tackled.

As the section made clear from the beginning, the report's recommendations in all other areas – governance, peace and security, investing in people and trade – were relevant to accelerating growth and removing the obstacles to it. The section itself focused on a range of additional steps that needed to be taken to push forward in this area.

However, the report also acknowledged that growth itself could have negative side effects on the environment and that climate change was a major threat to Africa's growth and prosperity. It also noted that the behaviour of individual companies could have a negative impact. The section made recommendations on how to ensure that business's role was positive and that growth was environmentally sustainable.

African governments have taken steps to improve the investment climate

One of sub-Saharan Africa's main success stories in recent years has been its impressive growth rates. Prior to the effects of the global financial crisis, the regional economy grew at an average of 6% per year from 2003 to 2008, falling just short of the level recommended by the 2005 report. The region has also attracted record levels of foreign investment – which increased from $18 billion in 2005 to $88 billion in 2008[107] – while the value of its exports has quadrupled.

As discussed in more detail in the introduction to this report, a number of factors lie behind these growth rates, including higher commodity prices and growing demand for Africa's resources, particularly from emerging economies. African governments have taken steps to reduce the obstacles to doing business in their countries: according to the World Bank, they have implemented more business-friendly reforms over the past year than in any previous year for which information is available.[108]

The Investment Climate Facility has been created

As recommended by the Commission, African efforts have been supported by the creation of the Investment Climate Facility for Africa (ICF), in 2007. The report called for donors and the private sector to provide $550 million over seven years to the ICF. Contributions have been made both by donors – including the World Bank, the Dutch and UK governments, the African Development Bank (AfDB) and others – and by the private sector, including Shell, SABMiller, Standard Bank, Celtel, Unilever and others. Contributions totalled $40 million in 2008.[109]

The ICF has supported a wide range of reforms in numerous African countries and has thus contributed to increasing the ease of doing business on the continent. However, improvements in the investment climate have been uneven, with a number of countries failing to make progress in this area. Furthermore, while substantial, the contributions made towards the ICF fall below the amount stipulated in the Commission's report.

107 *World Investment Report 2009.*

108 World Bank. *Doing Business Report 2009.*

109 *Investment Climate Facility for Africa Annual Report 2008.*

The second recommendation on the investment climate was that developed countries should support a fund managed by the Multilateral Investment Guarantee Agency (MIGA) – part of the World Bank Group – to insure foreign and domestic investors in post-conflict countries. This has not happened.

Donor funding to infrastructure has enjoyed a renaissance, but the funding gap remains huge

Funding for infrastructure seems to have enjoyed a renaissance since 2005, and analysis by the World Bank suggests that this has been central to Africa's improved levels of growth.

The Infrastructure Consortium for Africa (ICA) was launched at the G8 Gleneagles Summit in 2005 and was designed to promote increased investment in infrastructure (transport, power, information and communications technology) in Africa, from both public and private sources. According to the ICA, financing to infrastructure in Africa increased ten-fold between 2002 and 2007 and the ICA itself received $12 billion in 2007 alone.[110] In addition to donor grants and loans, a growing share of the region's infrastructure finance now comes from non-traditional donors such as China, India and a number of Arab nations. In 2007 the contributions of these donors were estimated at $5.2 billion, $0.7 billion and $2.6 billion respectively.[111]

In response to the global financial crisis, the European Commission has increased the size of the EU-Africa Infrastructure Trust Fund, contributing €200 million ($264 million[112]) for 2009–2010, doubling its current contribution and calling on all member states to join the effort, with the goal of raising €500 million ($659 million). If this is achieved, the EC will leverage €2.5 billion ($3.3 billion) in soft loans to support infrastructure investment. Private investment in infrastructure projects in sub-Saharan Africa increased from $8.7 billion in 2005 to $13.5 billion in 2008.[113]

However, the sums needed are still vast in comparison with the resources delivered to date, and it has been suggested that the Commission considerably underestimated those needs. A recent report published by the World Bank and the Agence Française de Développement (AFD) states that sub-Saharan Africa needs total investment of $93 billion a year to meet its infrastructure needs,[114] twice the amount estimated by the Commission.[115] Two-thirds of this is for investments and the remaining third for maintenance. If current inefficiencies were addressed, however, annual infrastructure spending needs could be reduced by $17 billion a year.[117]

The amount of land under irrigation in Africa has increased by just 0.9%

Aid to agriculture from all DAC donors increased by 43% between 2004 and 2008, from $1.7 billion to $2.4 billion. Funding for 'agriculture water resources' made up 4% of agricultural aid in 2008.[117] The Comprehensive Africa Agriculture Development Programme (CAADP), established under the AU NEPAD programme, has also made progress in developing a common strategy for supporting improvements in Africa's agriculture sector. In late 2008, a Multi-Donor Trust Fund was set up to support CAADP; contributions to this fund are expected to reach $60 million by 2012. At the G8 Summit in Italy in 2009, $22 billion was pledged at the launch of the L'Aquila Food Security Initiative for sustainable agricultural development over a period of three years (2009–2012).[118]

However, this reversal in the decline of investment in agriculture has not happened quickly enough, and it is too small after decades of under-investment. African governments have not done enough to speed up their own investment in rural infrastructure and have failed to fulfil their commitment to spend at least 10% of their budgets on agriculture. Only 6% of land in Africa is irrigated and between 2004 and 2007 the amount of land equipped for irrigation increased by just 0.9%.[119]

African Enterprise Challenge Fund launched

Developed countries have followed through on the Commission's recommendation that they should 'set up a $100 million Africa Enterprise Challenge Fund to support private sector initiatives that contribute to small enterprise development by giving them better access to markets.' The Commission also expressed the hope that the fund would encourage new partnerships between the financial and non-financial sectors and contribute to the AU's objectives of promoting job creation for young people and entrepreneurship by women.

110 See ICA website: www.icafrica.org/en/infrastructure-issues/aims100/aims1001.

111 *Public-Private Infrastructure Advisory Facility Annual Report 2008.*

112 Based on August 2010 exchange rates.

113 *Public-Private Infrastructure Advisory Facility Annual Report 2008.*

114 Almost half this amount is needed to address the region's current power supply crisis. The $93 billion amounts to roughly 15% of sub-Saharan Africa's GDP.

115 Vivien Foster and Cecilia Briceño-Garmendia (editors). 2010. *Africa's Infrastructure: A Time for Transformation*. World Bank/ Agence Française de Développement.

116 Ibid.

117 DAC-CRS database: refers to purpose-code 31140: Agricultural water resources

118 As of April 2010, $6.5 billion of this had already been disbursed.

119 Calculated using FAO figures.

The African Enterprise Challenge Fund (AECF) was launched in mid-2008. It aims to raise up to $100 million to fund grants to private sector companies to support new and innovative business models in Africa, which will be awarded through a series of competitions for grants over a period of six years.

The focus is not, however, on small enterprises in particular but on the private sector in general. It is difficult to find data on small enterprises and the extent to which they have participated in or benefited from Africa's growth spurt. However, the general view of the region's recent growth is that, while impressive, it has yet to affect most ordinary Africans in a positive way – and this is likely to include those many Africans who derive their income from small enterprises.

No obvious improvement in the number of young people in work

The Gleneagles Communiqué committed the international community to supporting 'youth employment in Africa for both men and women, including vocational education and training relevant to market demands'.

A number of African countries have developed national action plans for promoting youth employment, and donor interest in the issue has continued.[120] However, there has been no obvious improvement in levels of youth employment or in the benefits that young people are gaining from employment. The 2009 African Youth Report found that employment levels remained unchanged[121] and there had been little improvement in the number of young people living in 'working poverty', i.e. those living on less than $2 per day. Young women continue to lag behind young men in terms of employment.[122]

New international business initiatives on Africa have been launched

The report called for 'a sea change in the way the business community, both domestic and international, engages in the development process in Africa' by signing up to leading codes of conduct and through increased coordination in its action to tackle poverty. To support this, the report recommended that developed countries support the UNDP's Growing Sustainable Business (GSB) initiative.

Measuring whether this 'sea change' has taken place is difficult. Clearly, with foreign investment quadrupling between 2003 and 2008, international business is playing an ever greater role in Africa. The number of businesses signing up to the UN's Global Compact business initiative has continued to grow.[123] The GSB has delivered support in a number of African countries, including Kenya, Mozambique, Tanzania and Malawi, and has received contributions from a number of developed countries. The Business Action for Africa initiative[124] was created shortly after the Commission published its report and, more recently, the Business Fighting Poverty network has been launched.[125] The Business Call to Action was launched in 2008 to encourage companies 'to develop inclusive business models that offer the potential for development impact along with commercial success'. Member companies are active in promoting inclusive growth in over 20 countries.[126]

However, as noted in the governance section above, while a growing number of businesses are taking steps to ensure that they are playing a positive role, there has been insufficient progress in bringing to book those who are not.

Neither Africa nor donors have come close to addressing the threat posed by climate change

So far, African governments' poverty reduction strategies have paid little attention to environmental issues in general or to climate change in particular, but the situation is slowly improving as concern about climate change grows, and with the support of initiatives such as UNDP/UNEP's Poverty Environment Initiative.[127] The Climate for Development in Africa (ClimDev-Africa) initiative, aimed at mainstreaming climate information into decision-making for African development, has been launched, as has a donor fund to support it,[128] while the AfDB has approved strategies on climate risk management and adaptation and on clean energy. As ever, however, the challenge lies in turning words into reality, with limited resources and capacity.

Progress is also being made in improving the information available on climate change through support for the activities of the Global Climate Observation system and through ClimDev-Africa. The AfDB is, for example, financing a $30 million institutional support project designed to strengthen the institutional capacities of four African regional climate centres: the African Centre of Meteorological Applications for Development (ACMAD), the Agro-Meteorology and Hydrology Regional Centre (AGRHYMET), the IGAD Climate Prediction and Application Centre (ICPAC) and the Drought Monitoring

120 A number of African countries have submitted National Action Plans on Youth Employment to the International Labour Organization (ILO): Algeria, Burkina Faso, Kenya, Rwanda, Senegal, Tanzania and Uganda.

121 Under-employment is also a major issue but is difficult to measure.

122 UNECA. 2010. *African Youth Report 2009: Expanding Opportunities for and with Young People in Africa*.

123 The UN Global Compact is a 'strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption' and brings businesses together with UN agencies, labour organisations and civil society.

124 www.businessactionforafrica.org

125 businessfightspoverty.ning.com

126 bcta-initiative.org

127 www.unpei.org

128 www.afdb.org/en/topics-sectors/initiatives-partnerships/climate-for-development-in-africa-climdev-africa-initiative

Centre (DMC). This support will enhance the technical ability and expertise of African climate scientists to generate the information needed to assess climate risk and quantify climatic trends. However, Africa's ability to monitor climate change remains much lower than that of any other region in the world.

Donors have also taken steps to integrate climate change issues into their strategies and programmes. The 2006 OECD Declaration on Integrating Climate Change Adaptation into Development Co-operation commits members to develop and apply coherent approaches to the issue and to assist developing country partners in their efforts to reduce their vulnerability to climate variability and change. Some progress has been made against these commitments: for example, many donors have begun to systematically assess climate vulnerability in developing their plans and have increased their support to tackling climate change issues within their programmes.

The December 2009 Copenhagen Accord included the commitment to provide an additional $100 billion in climate finance by 2020 to support adaptation, mitigation, technology transfer and capacity-building – yet the sources and nature of this additional funding have not been resolved. Proceeds from the sale of emission credits from Clean Development Mechanism (CDM) projects amounted to $7.4 billion between 2001 and 2007. However, only 17 of a total of 1,186 CDM projects are located in sub-Saharan Africa (of which 14 are in South Africa) and the CDM is therefore failing to act as an effective mitigation and investment mechanism for the region.

At the same time, Africa's potential to generate clean, renewable energy will be vital to the collective battle against climate change, as well as providing an opportunity for the region to benefit economically from the added value created by exporting clean energy.

A number of initiatives have been launched to support the development of clean technology in Africa; some resources have been mobilised to support these, and some donors have increased their funding to help the region adapt to climate change. As noted in the introduction, it is estimated that Africa needs $10-20 billion per year in additional external support to adapt to climate change.[129]

Nevertheless, the response to date falls far short of what is needed. A big issue in 2010 is not only mobilising the funds needed to help Africa adapt to climate change, but also ensuring that those funds are additional to existing ODA commitments.[130]

The total amount needed to achieve the MDGs, accounting for the anticipated effects of climate change, is estimated at around $120 billion a year between 2010 and 2020. This figure brings together the amount of development and humanitarian assistance that would have been required to achieve the MDGs without climate change ($82 billion per annum) - plus the estimated costs of climate change adaptation ($10-20 billion per annum) and mitigation ($13-26 billion per annum). There is a substantial gap between these estimated requirements and the amounts donors have already been pledged for each of these elements.[131]

[129] Presentation by Guido Schmidt-Traub, Climate Change Advisor, Africa Progress Panel Secretariat and Director of South Pole Carbon Asset Management to an event on *Securing Additional International Public Finance for Climate Change: How much is needed and can it be achieved?*, on 15 April 2010 at the Overseas Development Institute in London. www.odi.org.uk/events/2010/04/15/2127-presentation-guido-schmidt-traub.pdf.

[130] There is a real concern over what the Copenhagen Accord actually means and whether it will lead to existing funds for development priorities being withdrawn and put towards climate change adaptation. There are huge overlaps between ODA and climate finance for certain sectors, e.g. agriculture, water supply, human health, coastal zones and infrastructure. Sub-Saharan Africa in most cases has the highest share of adaptation costs within these sectors: agriculture, forestry and fisheries (36%), water supply and sanitation (42%), human health (60%) and infrastructure (11%). J. Brown, N. Cantore and D. Velde. 2010. *Climate Financing and Development: Friends or Foes?*. Overseas Development Institute.

[131] Fankhauser and Schmidt-Traub. 2010. *Finance for Climate-Resilient Development in Africa*. African Progress Panel, Geneva.

MORE TRADE AND FAIRER TRADE

RECOMMENDATIONS FOR TRADE IN THE 2005 REPORT

Improving Africa's capacity to trade

- Africa should remove its own internal trade barriers between one country and another.
- African governments and international donors should ensure that Africa can produce and trade competitively. Funding for infrastructure should, in part, be spent on improving African transport communications.

Improving Africa's access to the markets of the rich world

- Developed countries should ensure that the Doha Round of world trade talks makes development its priority in 2005 and that the round concludes no later than the end of 2006.
- Rich countries must agree to eliminate trade -distorting support to cotton and sugar, and commit by 2010 to end all export subsidies and all trade-distorting support in agriculture.
- High-income developing countries should do more to reduce tariffs and other barriers to trade with Africa.
- Individual African countries should be allowed to sequence their own trade reforms, at their own pace, and additional financial assistance should be provided to support their capacity to trade.
- Special and Differential Treatment (SDT) must be made to work better for Africa.
- Rich countries should apply a development test when designing product standards.

Helping Africa adjust to new trade regimes

- Developed countries should remove all barriers to all exports from low-income sub-Saharan countries, by extending quota and duty-free access to all of them.
- Rich countries should also provide aid to help African economies adjust to a more open global trade regime, and to enhance the benefits to poor people and limit the detrimental impacts on them.

The Commission endorsed the critical importance of trade for sustainable development and poverty reduction in Africa. It also recognised that, to capture more of the benefits of trade, Africa needed changes to international trade rules and removal of the trade barriers it faces, as well as support to build its capacity to trade.

The Commission's recommendations have been echoed by the G8, the EU, multilateral institutions, African countries themselves and, more recently, by the G20. The G8 made a series of commitments on trade rules and trade-related capacity-building at Gleneagles in 2005 and have reiterated these at each subsequent meeting. In addition to pledging to 'make trade work for Africa', the G8 have also committed to concluding the Doha Development Agenda (DDA) negotiations with a focus on integrating poor countries into the global trading system. The EU has promoted Economic Partnership Agreements (EPAs) as tools for development and regional integration, and donor support for trade and infrastructure has enjoyed a renaissance. The African Union and the New Partnership for African Development (NEPAD) have reiterated their pledge to simplify overlapping regional economic communities (RECs) and create a 'common market'.

Progress on trade – particularly on reform of international trade rules – has been woeful

Despite the fact that changes to trade rules have relatively few costs and could yield significant benefits, progress on trade has been woeful. In 2009, 1% of world trade was worth \$195 billion, which was more than five times the amount that sub-Saharan Africa received in development assistance in that same year. As discussed in the introduction to this report, the value of Africa's exports has grown dramatically in recent years and by 2008 its share of global trade had increased to 3.3% – yet that remains a very modest share and the smallest of any region in the world.[132]

Progress on the DDA, which was supposed to put development at the heart of trade, has been glacial – and very far from the Commission's ambition that the talks should conclude by the end of 2006. There have been four ministerial meetings to try to break the logjam. On issues critical for Africa, such as reductions in agricultural subsidies, improved market access for its products and expansion in the trade of services, progress remains elusive.

2010 has seen a further lessening of ambition, with some countries calling for a reassessment of the talks' objectives in a changing global environment.

Failure to agree a way forward on agricultural subsidies

At Gleneagles and at subsequent summits, the G8 countries committed to progress on agriculture in the DDA as well as unilateral reforms.

At the Hong Kong WTO Ministerial Conference in December 2005 it was agreed to eliminate export subsidies by 2013, but this has not been followed through. The OECD estimates that the governments of Canada, the EU, Japan and the USA collectively spent \$219.4 billion on subsidies in 2008. In the USA, the Farm Bill expired in 2008, creating an opportunity to reform the country's subsidies programmes. However, the new \$307 billion, five-year Farm Bill that was passed in 2008 contained only some incremental changes. The new version of the Bill has actually increased the trade-distorting nature of payments by paying farmers when prices are low, so isolating them from market signals.

[132] UNCTAD. 2010. *Global Investment Trends Monitor.* www.unctad.org/en/docs/webdiaeia20101_en.pdf


FAIR TRADE
ETHIOPIA

The difficulties in cutting support through domestic reforms, where there are strong vested interests, highlights one of the potential advantages of the WTO process, where cuts are made multilaterally and there is the possibility of trade-offs with other sectors. However, a 'grand bargain' has proved elusive and this lack of progress in the DDA has meant that there has been no progress on the majority of the Commission's recommendations on international trade rules.

Commitments to improve and harmonise preference schemes have not been followed through

At Gleneagles, G8 leaders committed to improving preferential trade schemes. However, this and the pledge made at the 2007 Heiligendamm Summit to 'examine the merits of existing preference schemes in order to achieve further improvements' have not been implemented in any systematic manner.

The many existing preference schemes have varying rules around them and product standards that apply to imports, two areas that the Commission's report highlighted in particular as restricting the ability of African producers to use them. Both the EU and the USA are currently reviewing their Generalised System of Preferences (GSP) schemes, offering the opportunity to improve consistency between them. However, there has been little progress elsewhere and five years on no real changes have been made.

Some improvement in market access but non-tariff barriers remain unchanged

At the 2005 Hong Kong Ministerial and later at the 2008 Hokkaido Summit, the G8 reaffirmed their commitment to provide duty-free and quota-free market access to at least 97% of goods originating from least developed countries (LDCs). The EU, Canada and Japan have met these commitments (see box), but more emphasis needs to be given to the 3% of tariff lines that are currently excluded from preferential access agreements but which are crucial to LDC markets.

There has also been little movement on removing non-tariff barriers to trade – such as tackling the rules of origin imposed by developed countries, which disadvantage African goods. Despite the EU committing in 2003 to a review of its preferential rules of origin with a view to making them simpler, more transparent and easy to use, revised rules have still not been agreed. The USA has also failed to address the issue as part of its periodic attempts to review its GSP programme.

MARKET ACCESS

European Union: 100% duty-free and quota-free access for LDCs has been achieved under Europe's Everything But Arms (EBA) preferential trade programme.

Canada: Canada has fulfilled the Hong Kong agreement with duty-free and quota-free market access for 97% of goods originating from LDCs.

Japan: Japan has fulfilled the Hong Kong agreement with duty-free and quota-free market access for 98% of goods originating from LDCs and full liberalisation of rice and sugar markets.

United States: The USA gives duty-free but not quota-free access on 98% of tariff lines to 26 African LDCs.

Progress on agreeing EU–African EPAs has been tortuous

The Commission recommended that, in order to be a tool for development, EPAs needed to address the issue of reciprocity, so African countries were not subject to the full force of EU competition in a way that would cut across their own poverty reduction and development plans. The Commission also recommended that EPAs should not undermine Africa's own regional integration efforts. In practice this has proved difficult, and interim agreements and delays are threatening to undermine regional unity.

To date, no regional EPA has been signed with any African region, but there are interim agreements with individual countries and smaller regional blocs in Africa to serve as a stepping-stone towards full regional EPAs. Despite efforts to reach an EPA with the West African region by the end of 2009, negotiations are still ongoing, with hopes of completion during 2010. Other development communities, such as the East African Community (EAC) and the Common Market for East and Southern African (COMESA), have faced multiple stumbling blocks. The EU agreed to provide resources for a regional EPA fund for the Central African region (FORAPE), with an initial amount of $150 million in 2008.

Africa has, however, made some progress on its own regional integration

African RECs have recently focused on integration by implementing their agreements to phase out border tariffs and by addressing physical trade barriers such as complex customs procedures. Further progress is needed, however, on the policy challenges, such as overlapping memberships and mandates, under-developed financial markets and poorly harmonised policies and procedures. Pan-African initiatives of the AU and NEPAD and public-private partnerships through Development Corridors[133] and one-stop border posts are also beginning to improve the continent's infrastructure and reduce the costs of trade.

The G8 are increasingly coming together to support these African-led initiatives and are also looking for ways to ensure better coordination between themselves and the increasing number of private sector partners, many from emerging economies, that are investing in infrastructure.

133 Development Corridors are established trade or transport routes that have under-utilised economic potential and therefore would benefit from development through a range of integrated interventions, such as investment in infrastructure alongside economic reforms, aimed at unlocking that potential.

Intra-African trade increased from $46 billion in 1995 to $115 billion in 2008.[134] However, intra-African trade was still only 10% of the region's total trade in 2008, with the potential for regional value chains remaining largely untouched. There is potential to upgrade infrastructure networks and modernise inefficient ports and customs facilities. At the Conference of African Ministers of Industry in 2008, African governments pledged to the removal of physical and non-physical barriers within and between African countries. A fully operational Trans-African Highway Network of development corridors could have a very positive impact on intra-African trade.[135]

Aid for trade (AfT) has increased and new initiatives have been launched

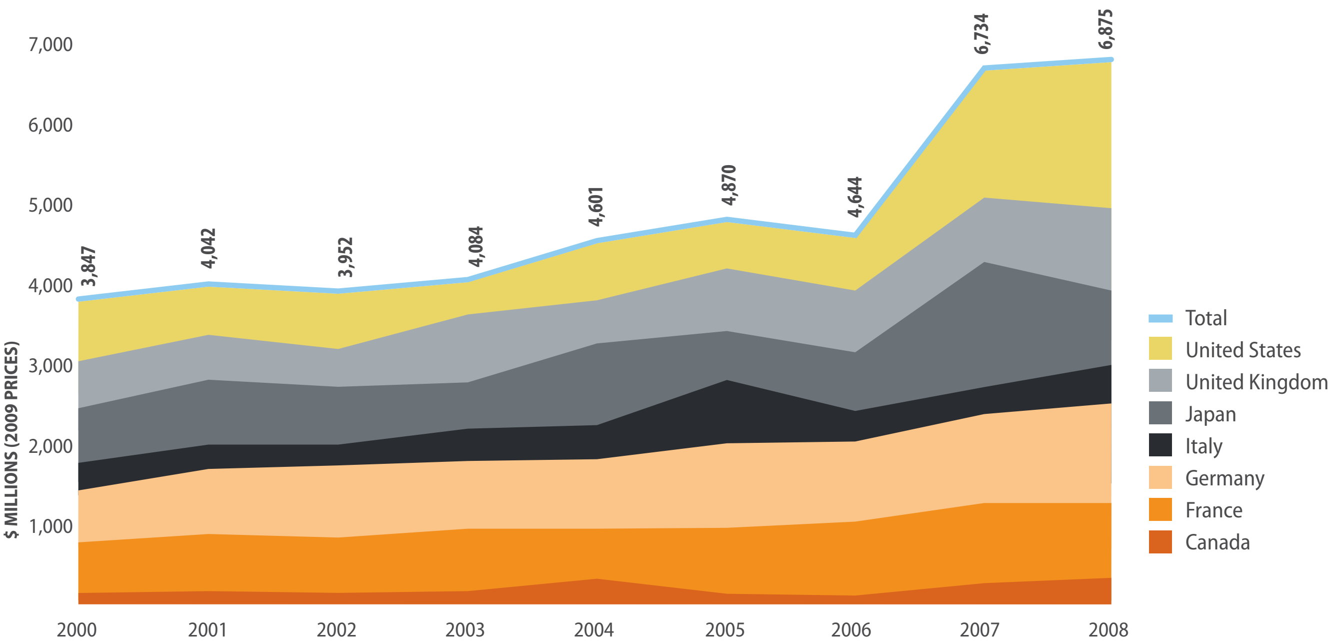
Product standards were identified by the Commission as an area in which Africa particularly needs support to meet the exacting and differing requirements of developed country markets. The Standards and Trade Development Facility (STDF) was established in 2001 to help countries address standards issues. The STDF provides small catalytic grants and links clients to other sources of technical assistance. Project funding runs at about $5 million a year. A number of other projects have helped African countries to meet the rigorous, and differing, sanitary and phyto-sanitary requirements of the EU and US markets for agricultural produce, helping to increase fruit and vegetable exports.

There are also a number of large-scale AfT programmes being developed across the region, such as the North-South Corridor, which is a joint COMESA-EAC-SADC AfT pilot aimed at reducing the time and costs of road and rail travel.

At the 2005 Hong Kong Ministerial meeting and at every G8 summit since 2005, the G8 countries have reiterated their commitment to scale up aid for trade for all developing countries to $4 billion by 2010. Current DAC estimates show that the G7 had already met the AfT commitment before it was pledged: in 2005, G7 aid for trade was $4.9 billion.[136] The figures from 2008 indicate that total AfT commitments made by the G7 amounted to $6.9 billion, from $4.6 billion in 2004 – an increase of 49%.

The WTO's membership has also agreed an ongoing work programme, including a bi-annual joint OECD/WTO report looking at both the scale-up of donor commitments and the degree to which developing countries are prioritising trade in their development strategies. The latest report highlighted that by 2007 most of the increase in AfT had gone to sub-Saharan Africa – an increase of $2.9 billion, equivalent to a 59% improvement. The bulk of the additional funds were devoted to addressing Africa's infrastructure needs, which the Commission identified as a key cause of Africa's poor development performance.

FIGURE 11: LEVELS AND SOURCES OF AID FOR TRADE, 2000-2008



Source: DAC International Development Statistics

134 UNCTAD. *Economic Development in Africa Report 2010*

135 ONE. *The Data Report 2010.*

136 2009 prices.

WHERE WILL THE MONEY COME FROM: RESOURCES

RESOURCES RECOMMENDATIONS FROM THE 2005 REPORT

Aid quality

- Annual meetings between donors and African governments should take place to monitor the quality of aid.
- Aid should be untied, predictable, harmonised and linked to the decision-making and budget processes of the country receiving it.
- Aid to Africa should be mainly in the form of grants.
- Aid conditionality should be reduced and ways of strengthening mutual accountability, and of monitoring implementation, should be put in place.
- Donors should create a new facility to help African countries weather commodity-related shocks and natural disasters.

Aid quantity

- Aid to sub-Saharan Africa should be doubled, i.e. increased by $25 billion per annum over the next three to five years to complement rising levels of domestic revenue arising from growth and from better governance. Following a review of progress towards the end of this period, a further $25 billion per annum should be provided, building on changes in the quality of aid and improvements in governance.

Debt relief

- For poor countries in sub-Saharan Africa which need it, the objective must be 100% debt cancellation as soon as possible, and financing should immediately be put in place to enable this to happen.

Financing mechanisms

- Donor countries should commit immediately to their fair share of additional aid for Africa and should aim to spend 0.7% of their annual income on aid.
- The International Finance Facility (IFF) should be launched immediately and workable proposals for specific international levies to raise additional finance should be developed.

Having identified the steps that needed to be taken to achieve a strong and prosperous Africa across the full range of issues discussed above, the Commission for Africa focused the last two sections of its 2005 report on how these recommendations were going to be resourced and the structures that needed to be put in place to take forward this new partnership.

The section on resources – i.e. where the money would come from, and how it should be delivered, for all the recommendations made elsewhere in the report – focused on a range of issues relating to aid and debt relief. The final section focused on the changes to global institutions required to take forward the partnership principles espoused by the report.

Progress in some areas of aid effectiveness

The Gleneagles Communiqué took up the issue of aid quality principally with reference to the implementation of the Paris Declaration on Aid Effectiveness, which was agreed earlier that year by over 150 donors, multilateral agencies and partner countries.

The 2005 Paris Declaration and the subsequent Accra Agenda for Action, agreed in 2008, included steps to untie aid and to make it more predictable, harmonised and linked to the decision-making and budget processes of the country receiving it. European donors have also sought to address fragmentation through the European Code of Conduct on Complementarity and Division of Labour, which stipulates that a donor should not be involved in more than three sectors in any one country.

While aid effectiveness indicators are limited, some progress has been made against Paris Declaration targets.[137] The 2010 targets have already been met for the alignment of technical assistance and the untying of aid. However, in most other areas improvements have been small or progress insufficient, and there is a risk of missing the 2010 targets. The use of government procurement systems and aid predictability actually declined over the period 2005-2007. The use of country systems and coordination of donor delivery mechanisms and missions remain significantly off-track and aid fragmentation continues to be a concern. Improvements in aid quality in Africa have lagged behind those witnessed in other regions, and certain countries experience poor quality across a range of areas. Sudan, Côte d'Ivoire and Chad, for example, are among the bottom five African countries for half of all Paris indicators.[138]

The Commission recommended annual meetings between development partners to review progress on aid allocation and effectiveness. In 2007, biennial high-level meetings of the Development Cooperation Forum (DCF) were launched, and these have brought together developing and developed countries, key bilateral and multilateral development agencies and development banks, as well as civil society and the private sector, to discuss aid issues.

[137] The most recent OECD report considered aid in 2007 against the baseline assessment for 2005. OECD 2008. *Survey on Monitoring the Paris Declaration. Making Aid More Effective by 2010*. An assessment of 2010 assistance will be published in 2011.

[138] Performance across indicators, however, is sometimes varied. For example, donor use of coordinated aid delivery mechanisms in Côte d'Ivoire is among the lowest in Africa, but donor missions and research for the country score as among the most coordinated in the region.

Most aid to Africa is in the form of grants, but some donors are lagging behind

Almost all DAC gross bilateral ODA to sub-Saharan Africa is in grant form. The figure was approximately 95% in 2008, and it has been near this level since 2000.[139] Grants make up a higher proportion of aid to the region than they do to other parts of the world. However, a small number of donors, such as Japan and Portugal, provide notably lower proportions of aid in the form of grants.[140] France has recently restructured its aid programme towards loans, which rose from 8% in 2005 to 14% of its total aid to Africa in 2008. Preliminary global figures suggest that this proportion may almost have doubled in 2009.[141]

Over the period 2004–2008, International Development Association (IDA) grants have increased as a proportion of the total from 31% to 40%. This is four times the 2000 level. Again, proportions for sub-Saharan Africa are higher than global averages, which increased from 16% to 26% in the same period.

Much aid remains highly conditional and mutual accountability is still low

A number of donors, such as the UK, and international multilateral agencies, such as the World Bank and the IMF, have taken steps to reduce conditionality. However, much donor aid remains highly conditional on progress on democracy and human rights. For some countries, conditionality has increased, as a result of debt relief criteria, new procedures accompanying budget support and other new aid modalities (for example, in Mozambique and Tanzania).

Mutual accountability was the fifth principle of aid effectiveness adopted by signatories to the Paris Declaration, and it has also been a major focus of the work of the UN Development Cooperation Forum (DCF). Progress has been slow, as performance against agreed indicators demonstrates. The Paris Declaration stated that, by 2010, all partner countries should have established mechanisms for assessing the implementation of agreed commitments on aid effectiveness. The 2008 Monitoring Survey confirmed that by 2007 only 26% of countries taking part in the survey had done so.[142]

Other initiatives, such as the IATI, which was agreed at the Accra Summit in 2008, have been launched to improve the transparency of aid information by getting donors to adhere to a common standard.[143]

Aid to fragile states has increased, but is concentrated in a few high-profile states

Donors continue to reward 'good performers', leaving behind the bulk of the weakest states – or 'fragile states', as they are sometimes known. This group of countries, characterised by high incidences of poverty, insecurity and institutional fragility, are the furthest off-track in relation to the MDGs. Steps have been taken to improve the quality of that aid through, for example, the use of Multi-Donor Trust Funds (MDTFs) and the adoption by OECD development ministers in 2007 of a set of DAC Principles for Good International Engagement in Fragile States and Situations. However, donor assistance to fragile states as a whole has increased at a slower rate than assistance globally, and remains insufficient compared with levels of poverty in those countries. It is also highly concentrated in countries such as Afghanistan and Iraq, which together account for over a third of aid increases to all fragile states since 2000.

The most recent OECD report to monitor the progress of aid quality against the Paris Declaration indicators shows that fragile states in Africa fare a lot worse than developing countries as a whole. While fragile states receive a higher proportion of their aid as grants compared with other countries, they experience higher levels of aid volatility, with aid often not synchronised to needs[144] or adapted to the specific context of that country.[145]

Action to protect Africa from shocks has not yet met the level of need

There has been progress in creating ways to protect countries against shocks. Comprehensive reform of IMF lending facilities in 2009 led to a number of new lending windows that ease rapid access to financial resources for low-income countries (LICs), including, for example, the Standby Credit Facility (SCF). This is a non-concessional standby arrangement for LICs that provides short-term support for countries that no longer face entrenched problems, but which require episodic support to cope with domestic or external shocks. It can also be used on a precautionary basis to provide insurance against shocks. The Rapid Credit Facility (RCF) is a catch-all emergency instrument providing highly flexible, one-off disbursements for urgent cases where there is insufficient time to set conditions, or where conditions are not necessary.[146]

In response to the global financial crisis, the World Bank made a Call for Action, requesting developed countries

139 OECD-DAC Statistical Database

140 In 2008, 75% and 81% respectively.

141 At the time of writing, only data for preliminary global levels of grants and loans were available. France's proportion of assistance delivered through loans globally increased from 24% in 2008 to 41% in 2009, and it is expected to maintain such levels in subsequent years.

142 ONE, Development Initiatives, Aidinfo, the African Progress Panel and independent consultant Richard Manning have developed the TRACK principles for donor. Track stands for: Transparent, Results-oriented, Additional, Conditional and how will we know it has been Kept? Another innovative new approach to aid being suggested by the Center for Global Development is the Cash on Delivery model, which links aid to specific outcomes with the objective of improving accountability between governments and citizens rather than between donors and governments.

143 As of July 2010, 12 donor governments, five multilateral institutions and one private foundation had signed up to the IATI initiative.

144 OECD. 2010. *Resource Flows To Fragile And Conflict-Affected States. Annual Report 2010*. OECD, Paris

145 ODI. 2010. *Development, Security and Transitions in Fragile States*.

146 It replaces the Exogenous Shocks Facility's Rapid Access component and the subsidised natural disaster emergency assistance. It also replaces and expands subsidised emergency post-conflict assistance by offering successive drawings to countries in post-conflict or other fragile situations.

to allocate 0.7% of their stimulus packages, in addition to ODA, to a special Global Vulnerability Fund to assist developing countries to weather the crisis. Donors would be free to channel funds through existing mechanisms of their choice. Little, however, has been committed to date.

Overall, the scale of action in this area has not been proportional to need. Yet there is considerable evidence of the detrimental impact on poverty levels of shocks of this nature, which can undermine years of progress.[147] The increased risks brought about by climate change necessitate urgent action.

Donors pledged to double aid to Africa – but not all have fulfilled this pledge

Perhaps the most high-profile of the Commission's recommendations was the one to double aid to sub-Saharan Africa – which translated into an additional $25 billion per annum by 2010 – and the suggestion that, following a review of progress towards the end of the period, a further $25 billion per annum should be provided on top of that, bringing the total to $75 billion per annum by 2015.

At the 2005 Gleneagles Summit, the G7 and other donors collectively committed to a $25 billion per year increase in aid to Africa by 2010, more than doubling aid from 2004 levels. EU members also made global ODA commitments based on a percentage of GNI, with a collective target of 0.56% ODA/GNI by 2010, and a 0.51% minimum target for individual EU15 members. Half of the increases, it was agreed, would be directed to sub-Saharan Africa.

While individual promises actually amounted to more than the collective pledge of $25 billion, the value of these promises has since fallen. Some donors, notably Canada and France, have 're-clarified' their commitments to a lower target. Falling levels of GNI since the onset of the global economic crisis have also affected EU and other DAC donors whose aid commitments were tied to a percentage of GNI.

By 2009, ODA to sub-Saharan Africa from DAC members had increased by $12.1 billion,[148] a 46% rise in real terms over 2004 levels. G7 donors accounted for $9.8 billion of the total increases. Almost 40% of the increases in global development assistance over this period went to sub-Saharan Africa, and more than half of the increases in G7 assistance. Preliminary estimates indicate that, by 2010, total development assistance to sub-Saharan Africa from DAC members will have increased by $17 billion over 2004 levels, to $43.3 billion. This represents the largest increase over any six-year period since records began in 1960.[149]

However, this still represents only 60% of the increases promised as a whole by DAC members. The G7 have met 61% of their commitments.[150] There is considerable variation within the group. While some donors, such as the USA and the UK, will either surpass or come close to meeting their commitments, Italy, for example, is expected to deliver levels of assistance in 2010 that are 6% lower than its 2004 baseline. Furthermore, the growth in development assistance has been significantly greater for high- and middle-income countries than it has been for their low-income counterparts.

By 2009, five countries (Denmark, Luxembourg, the Netherlands, Norway and Sweden) had passed the 0.7% target (excluding aid that counts towards debt relief), and these donors are committed to either maintain or increase these levels. Belgium is expected to meet its commitment to reaching this target by 2010. The UK has committed to legislate on reaching it by 2013.

As discussed in the introduction to this report, African governments have substantially improved domestic resource mobilisation enabling greater investment in poverty reduction.

Africa has received $100 billion in debt relief

The Multilateral Debt Relief Initiative (MDRI) was launched at Gleneagles in 2005, where the G8 committed to 'cancel 100% of outstanding debts of eligible Heavily Indebted Poor Countries to the IMF, IDA and the African Development Fund, and to provide additional resources to ensure that the financing capacity of the IFIs is not reduced'.

Although the process is not straightforward and is subject to delays, the benefits of debt relief have been significant. In total, Africa has been relieved of some $100 billion of debt obligations.[151] Consequently, sub -Saharan African countries paid $1.5 billion less in debt service to the World Bank and African Development Bank in 2009.

This assistance has freed up many countries to redirect debt service repayments to the social sectors and to other poverty-reducing programmes: between 2001 and 2008, African post-decision-point countries increased poverty-reducing expenditures by roughly 2% of GDP, on average, while debt service obligations declined by the same order of magnitude.[152] The poverty-reducing expenditure of completion-point HIPC countries is illustrated in Figure 12.[153]

[147] See, for example, the *2008 Chronic Poverty Report*, published by the Chronic Poverty Research Centre: www.chronicpoverty.org/page/report-2008-09.

[148] 2009 prices. All aid figures exclude bilateral debt relief.

[149] ONE. *The Data Report 2010.*

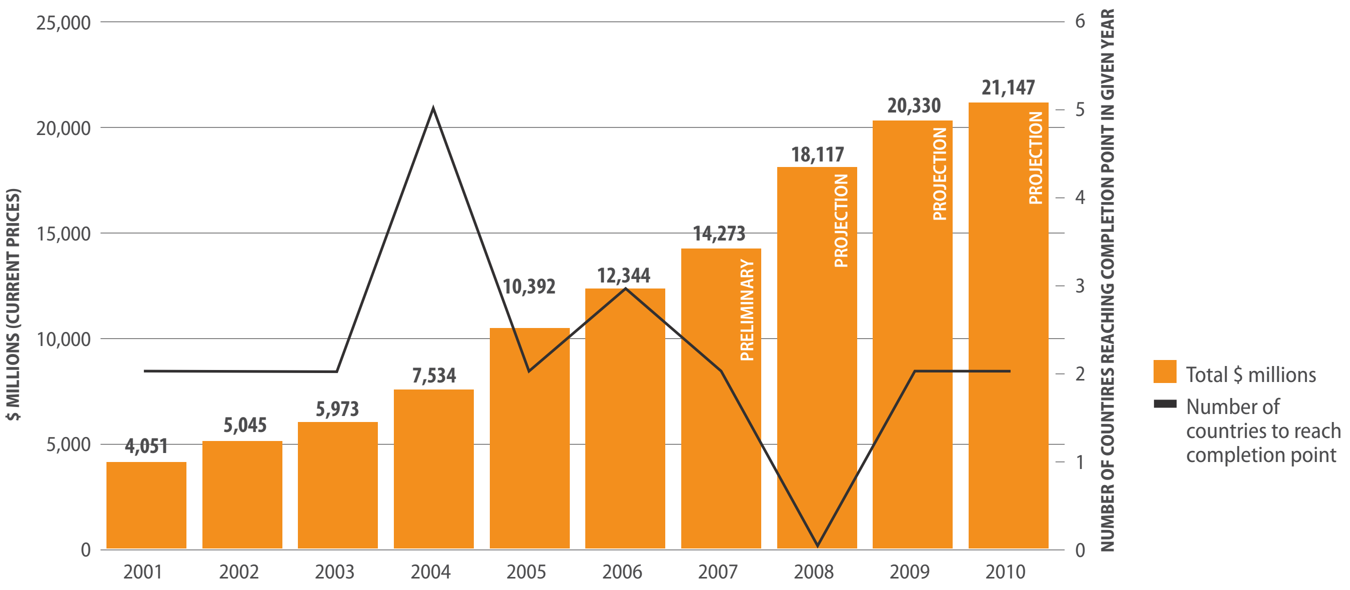
[150] Ibid.

[151] IDA and IMF. 2009. *Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI) – Status of Implementation*. 15 September 2009. This figure is expected to rise significantly again during 2010 as the DRC and other HIPCs reach their completion points.

[152] To receive debt relief under the HIPC initiative, countries must meet a number of criteria. To reach 'decision point', they must meet four criteria, which include an unsustainable debt burden and the development of a Poverty Reduction Strategy Paper. To reach 'completion point', they must meet three further conditions, including implementing reforms agreed at decision point.

[153] This refers mainly to expenditure on health and education.

FIGURE 12: POVERTY-REDUCING EXPENDITURE OF SUB-SAHARAN AFRICAN COUNTRIES RECEIVING DEBT RELIEF, 2001-2010



Source: IMF. 2009. *Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief (MDRI) – Status of Implementation*

The G8 are on track to meet some, but not all, of their commitments to meet the long-term costs of debt relief

The G8 committed to compensate financially the debt repayment revenues lost by the international financial institutions (IFIs)[154] participating in the MDRI, so that their capacity to give grants to poor countries was not compromised. Collectively, the G8 are on track to meet their share of commitments to make 'qualified', soft commitments through to 2044, the year when the compensation needs to cover MDRI would be fulfilled.[155] However, the G8 have a collective $2.9 billion shortfall in their more immediate unqualified commitments over the next decade (2009–2019). The USA and Italy account for much of the shortfall,[156] while Canada, Germany, Russia and the UK have met or have surpassed their equitable shares.

Although resources are sufficient to deliver the debt relief committed to most HIPCs, additional contributions will be needed to cover the cost of HIPC and MDRI debt relief to newly identified HIPCs and to countries with 'protracted arrears', such as Sudan and Somalia. Provisions for debt relief to these two countries were not made under the original HIPC/MDRI financing framework, and account for most of the $17 billion estimated for the remaining five pre-decision-point HIPCs. In this context, the G8 committed that donors will provide the extra resources necessary for full debt relief for these countries.

Falling commodity prices since the start of the global financial crisis, together with a resurgence of lending, have exacerbated concerns about long-term debt sustainability. More African LICs are now rated as having a 'high' or 'moderate' risk of experiencing debt distress than when the MDRI agreement was reached at Gleneagles.

Innovative financing mechanisms have been launched and work continues to develop them

In 2005, the G8 members committed to continue to consider developing the International Finance Facility as a means of raising funds to finance a 'big push' in Africa's development through the capital markets. This would mean that funds for tackling poverty would be available much sooner than if they came from the gradual growth of aid budgets alone. In practice, however, the principle has only been applied to financing for vaccines and immunisation through the IFFIm, as discussed in the section on health above.

A high-level task force has been created to explore a levy on financial transactions. Special attention is also being paid to climate change. Germany, for example, has devoted some of the money raised by auctioning off carbon emission rights to development projects and Norway is passing some of its tax revenues from sales of kerosene to UNITAID. In February 2010, a United Nations climate financing taskforce was established, initially co-chaired by then British Prime Minister Gordon Brown and Ethiopian Prime Minister Meles Zenawi, to investigate ways of raising $100 million per year, starting in 2020, to help poorer nations cut their emissions and cope with the effects of climate change.

[154] The International Financial Institutions are financial institutions that have been established by more than one country. They include the World Bank, the International Monetary Fund and the regional development banks, such as the African Development Bank.

[155] Qualified, unlike unqualified, commitments require additional legislative action and thus cannot be considered as firm commitments.

[156] National budgeting practices account, in part, for this shortfall. For example, US and Japanese budget rules require that the country's legislative bodies fully appropriate funds before it can provide firm commitments to IDA and the AfDB. This means that such countries would be forced to pay the projected MDRI costs for the next decade upfront.

MAKING IT HAPPEN

MAKING IT HAPPEN RECOMMENDATIONS IN THE 2005 REPORT

Strengthening the African multilateral institutions

- Shareholders of the African Development Bank should aim to make it the pre-eminent financing institution in Africa within ten years.
- Strong support is required to enhance the role of the Economic Commission for Africa.

Changing the strategy of multilateral organisations

- The managements of the World Bank, the IMF and the WTO should give greater priority to accelerating Africa's development.
- The UN Secretary-General and the UN Development Group should strengthen the coordination of UN agencies, funds and programmes at country level, to improve their impact.

Voice

- African countries should be given a greater voice in the multilateral institutions, most notably through greater representation on the boards of the World Bank and the IMF.
- Decision-making councils, consisting of political representatives of member countries, should be established for the World Bank and the IMF.
- Appointments of the heads of international institutions should be decided upon by means of open, merit-based competition.
- In each recipient country, the government and donors should set up monitoring groups to assess the quality of donor assistance and coordination.
- The UN Security Council should be expanded to include greater African representation.

Putting in place effective independent monitoring mechanisms

- An independent international mechanism should be established to monitor and report annually on progress against commitments to development in Africa.

The final section of the Commission's 2005 report focused on the additional steps required to make all of its recommendations happen. This section recognised that the structure of the 'international architecture' around security and development – i.e. the UN Security Council, the World Bank and other international institutions – was hampering Africa's efforts to lead its own development and ran contrary to the principles of partnership outlined in the report. It focused on how this should be changed.

The African Development Fund has grown

Donald Kaberuka, who became President of the African Development Bank in 2005, made it one of his goals to make the AfDB the pre-eminent financing institution in Africa within the next ten years, as recommended by the Commission.

According to DAC statistics, contributions to the African Development Fund (ADF), the concessionary financing arm of the AfDB, from all donors included in its database tripled from $0.5 billion in 2004 to $1.5 billion in 2008. Funding provided by the ADF to all sub-Saharan African countries increased from $0.9 billion in 2004 to $1.6 billion in 2008. However, the AfDB still has a way to go before it can be considered to be 'pre-eminent', as it still lags well behind most major bilateral and multilateral donors.

Progress against the report's recommendation that 'strong support should be provided for the further enhancement of the role of the Economic Commission for Africa (UNECA)' is less easy to measure objectively. The new Executive Secretary set out a vision for the repositioning of the organisation in 2006, and an internal review of progress found that UNECA had been successful in many areas. This was reflected in increased donor support, which rose to $72 million by the end of 2009, but the review also noted a number of areas for improvement and some ongoing challenges.

No seat on the UN Security Council and slow progress on reform in the World Bank and IMF

There have been a small number of positive steps in this area. Greater importance has been given to Africa by, for example, the World Bank, which issued a new action plan for the region towards the end of 2005.

African representation on the UN Security Council has not increased. There is still no permanent seat for an African country.

None of the Commission's recommendations on changes to the governance of the World Bank and the IMF have been implemented – though commitments have been made on some. For example, both IFIs have committed to increasing the openness of the processes by which they select their senior managements. The World Bank has also committed to creating an additional Executive Director position for Africa and to providing additional resources to support the work of African Executive Directors.

Both the World Bank and the IMF have set up committees to suggest reforms to their governance. These committees have recommended steps to improve the representation of developing countries, including African countries, in the organisations' decision-making processes. These have included recommendations to increase the voting share of developing countries, which would also affect their representation on the boards, as well as reductions in the number of board seats given to other regions. The World Bank's committee on reform also reflected one of the Commission's other recommendations on the two institutions – that political leaders of member

countries take a stronger role in their management through the creation of a Council consisting of political representatives of those countries.

The G20 has pushed for changes to be made. However, apart from some limited changes to voting powers within the World Bank earlier this year, which made little difference to developing countries' voting powers, none of these proposed changes have been put into effect.

Changes to the governance of the WTO have unfortunately been bound up in the Doha Development Agenda process – and therefore have not moved on.

The African Progress Panel has been created

The *Our Common Interest* report recommended the creation of an 'independent mechanism' to 'add extra momentum to the delivery of the Commission's recommendations' by monitoring and reporting on progress. It suggested that this should be led by two high-profile and influential figures from the international community – one African and one from the donor community.

The Africa Progress Panel (APP) was established in 2006 to perform this function. Rather than two senior figures, however, it has 11 high-profile members from both Africa and the broader development community. Chaired by former UN Secretary-General Kofi Annan, it also includes a number of former Commissioners from the Commission for Africa, including Linah Mohohlo, Tony Blair, Michel Camdessus, Bob Geldof and Tidjane Thiam.[157] The APP has since published regular reports on progress against commitments made by both Africa and the international community.

[157] For a full list of APP members, see www.africaprogresspanel.org/EN/about.shtml.