

# Executive Summary

The Mutual Review of Development Effectiveness is an exercise in mutual accountability undertaken jointly by the UN Economic Commission for Africa and the OECD following a request of NEPAD Heads of State and Government in 2003. Its purpose is to assess what has been done by Africa and its development partners to deliver commitments in relation to development in Africa, what results have been achieved, and what the key future priorities are. It complements the self-assessments produced by each side to the partnership, and is in line with the shift in emphasis from aid effectiveness to development effectiveness, and the emphasis on mutual accountability at Busan. NEPAD Heads of State and Government and AU/ECA Finance Ministers have reaffirmed the value of this exercise. The 2013 report follows the same structure as the interim and previous reports, divided into 4 main 'clusters' of issues covering: sustainable economic growth, investing in people, good governance and financing for development. Its main findings are:

## Sustainable economic growth

**(i) Africa is changing:** the continent has recovered from the global crisis of 2009 and this should be sustained subject to wider global conditions. Following a dip in growth to 2.7% in 2011 due to factors in North Africa, Africa's overall growth rate rebounded to 5% in 2012, and is projected to remain strong at 4.8% in 2013 and 5.1% in 2014. There has been a similar recovery in trade performance, driven by demand pressures which have led to a reversal in the long declining trend of real commodity prices. Africa now exports as much to emerging markets as to its traditional trading partners, which partly shelter the continent from global economic slowdown;

**(ii) But there continue to be significant challenges:** growth prospects continue to depend significantly on the global economic and financial environment, which is likely to remain difficult in the near term. The business environment has continued to improve, if at a slower rate, but more needs to be done to catch up with other developing regions, and enhance competitiveness. Poor infrastructure remains a major constraint to attracting investment, increasing regional trade, and improving social welfare. And climate change presents a major threat to achieving long-term sustainable growth;

**(iii) Pointing to the key priorities for both Africa and its international partners including:** to sustain global recovery and address issues which could put this at risk; to achieve successful outcomes in global negotiations on trade and climate change; to

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

## Investing in people

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

**(v) But the pace is further behind for achieving the goals by 2015:** in reducing poverty and child and maternal mortality, and improving access to sanitation. Starting from a lower base also means that Africa is still behind other regions for many indicators. The latest available data shows only a marginal change in the poverty rate in Africa excluding North Africa, from 49.2% in 2008 to a provisional figure of 48.5% in 2010. Aggregate MDG performance masks major disparities by gender income group and location in access to high quality education and health services, and continued concerns on food security connected both to climate conditions, and to regional instability;

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

## Good governance

**(vii) There have been some positive developments including:** a general improvement in the quality of elections, the successful reversal of unconstitutional changes of government, and progress towards restoring stability in Somalia. The African Charter on Democracy, Elections and Governance has now come into force, representing a major commitment to improving and monitoring governance in

Africa. The AU and regional organisations have taken a strong lead in rejecting unconstitutional action and promoting a return to democratic government, with support from the international community;

**(viii) However there are also problems:** there has been serious armed conflict in one region, resulting in part from wider regional and international factors, border tensions in another region, and increased instances of terrorist activity. Much also still needs to be done to ensure that elections are universally free and fair, and to improve other indicators of political governance including checks and balances, tools of accountability, the rule of law, and civil liberties;

**(ix) At a global level** there has been continued engagement by both the G-8 and G-20 on development issues, alongside the launch of the Busan Global Partnership for Effective Development Cooperation, and the establishment of a UN High Level Panel to advise on the global development agenda beyond 2015. The decisions taken in these wider fora, whilst not specific to Africa, are profoundly important for its development;

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

## Financing for development

**(xi) Domestic revenue continued to increase in 2012 to reach an all-time high:** Domestic revenue is by far the major source of financing for development. It increased four-fold between 2002 and 2008 to US\$509 billion, fell sharply to US\$389 billion in 2009 with the bulk of the decline occurring in oil-exports, had recovered to US\$531 billion by 2011 driven by strong revenue performance in Africa (excluding North Africa) and rose again in 2012 to reach a new record high of US\$598 billion. There has been a significant reduction in the number of countries (now reduced to 9) collecting less than 15% of GDP in domestic public revenue. Issues of budgetary allocation and expenditure effectiveness, however, still need to be addressed;

**(xii) Total net private inflows in Africa (excluding North Africa) rose slightly to reach a new record high in 2012 but continued to decline in North Africa:** The overall total of US\$57.5 billion was unchanged and is slightly over 80% of the record US\$69.8 billion in 2007. Remittances proved unexpectedly resilient in 2009 and rose again from US\$56.8 billion in 2011 to US\$60.3 billion in 2012, a four-fold increase over the preceding decade. This growth was particularly important in North Africa. In addition to legal capital outflows, Africa has however also experienced large illicit outflows estimated to average US\$50 billion a year over the last decade, though all figures must be treated with great caution;

**(xiii) Official Development Assistance to Africa fell in 2012 and the 2005 commitments have still not been met:** ODA to Africa is estimated to have fallen to around US\$46 billion in 2012. This is significantly below the level of the 2010 target implied by commitments in 2005. Major further efforts are needed if 2005 commitments are to be met in full. Progress in delivering the Paris and Accra commitments on aid effectiveness has been slow, and more efforts will be needed to meet the Busan commitments on aid untying, transparency and predictability in the agreed timescale;

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

**(xv) Key priorities include:** continued action by African governments to increase domestic revenue, improve its utilisation and attract both domestic and foreign investment; action by the wider international community to prevent the erosion of tax bases and the consequent loss of tax revenues including through transfer pricing practices, and to tackle illicit financial flows; action by development partners to increase ODA to Africa over 2013-2015 in line with previous commitments, to deliver their Busan commitments on development effectiveness, and to deliver the fast-start and longer-term climate finance agreed in the Copenhagen Accord and the Cancun Agreements.