

WWW.WWW.WWW.

ONE.

ORG/

DATA



**EXECUTIVE SUMMARY**

**For the past five years, the DATA Report has monitored the historic commitments to sub-Saharan Africa that the G8 and European Union made in 2005. These promises were due to be delivered in 2010, a year that also marked the crucial two-thirds point for the world to achieve the Millennium Development Goals (MDGs) by 2015.**

In 2010, development assistance to sub-Saharan Africa was the highest on record. However, the increases over the past five years still fell short of the commitments made in 2005, and the prospect of scaling up efforts to meet commitments beyond 2010 could be in jeopardy. Flatlining or even cuts from some donors threatens to undermine recent progress made in fighting HIV/AIDS and malaria, boosting agricultural productivity and sending children to school.

Upcoming budget decisions in the United States, Germany, France and the EU will provide a bellwether on which countries have the political will to keep their commitments to Africa during the next five years. UK Prime Minister David Cameron has already set an example of moral and political leadership through his decision to maintain the UK's pledge to achieve 0.7% of GNI for ODA by 2013, despite massive budget cuts across the government.

At the international level, the GAVI financing conference and funding for the Global Agriculture and Food Security Programme will be two critical tests of the global community's resolve to continue progress toward achieving the MDGs.

As stated in the introduction to this report, development assistance is just one element of the development agenda – and one component of development finance broadly. In addition to increased development assistance, another headline of the past decade has been the boom in other resource flows to sub-Saharan African countries, including remittances, foreign direct investment and domestic resources.

Domestic resources are the most important type of development finance. Developing a tax base is critical to creating a sustainable source of government revenue, as well as strengthening the relationship between a government and its citizens. Thanks to improved revenue collection and economic growth, domestic revenue in sub-Saharan Africa more than doubled between 2004 and 2010 in nominal terms, reaching levels seven times the volume of ODA to the region in 2010 (see Figure 1).

Though domestic resources represent a substantial amount of financing, too little is known about how they are

allocated. Smart policies are critical to ensuring that resources are targeted towards poverty reduction and delivered in an effective, accountable manner to achieve results. Subsequent ONE reports in 2011 will focus on domestic resource mobilisation, as well as governance and inclusive economic growth. Improved governance and economic growth will increase domestic revenue, help ensure that it is invested transparently and effectively and, in the long term, create an environment where development assistance is no longer necessary.

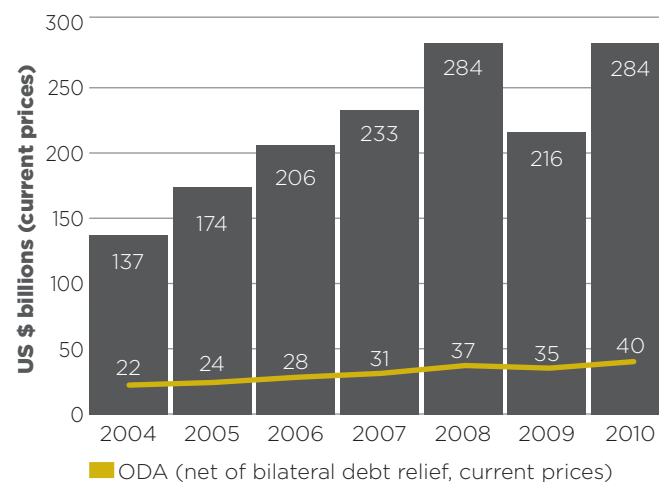
In line with the evolution of the discussion on development financing, the 2011 DATA Report focuses on effectiveness, innovation and the role of new partners in development assistance. The key findings show that, despite historic increases and remarkable results over the past decade, donors still fell short of meeting their commitments to sub-Saharan Africa by 2010. The road to 2015 is less clear than the path to 2010, with budgets tightening and some countries lacking overall targets for their development assistance.

This challenging landscape will require all development partners – African governments, donors and private sector actors – to renew their focus on effectiveness, innovation and results to ensure that the impact of every development dollar is maximised.

FIGURE 1

### SSA DOMESTIC REVENUES 2004-10

Domestic revenue figures: MRDE 2011 Interim Report, Economic Commission for Africa and Organization for Economic Cooperation and Development



## KEY FINDINGS

### LOOKING BACK

#### THERE HAVE BEEN HISTORIC INCREASES IN DEVELOPMENT ASSISTANCE TO SUB-SAHARAN AFRICA OVER THE PAST TEN YEARS, ESPECIALLY IN THE FIVE YEARS SINCE GLENEAGLES

Since 2000, development assistance to sub-Saharan Africa has increased by \$19.628 billion, compared with a decrease of \$1.800 billion from 1990 to 2000. G7 and EU countries have played a critical role in this, delivering an additional \$15.625 billion and \$9.540 billion, respectively, to the region since 2000.

These increases accelerated in the five years after Gleneagles. Of total donor increases since 2000, 63% (or \$12.444 billion) was delivered after 2005. For G7 countries, the rate of increase was even more marked: more than two-thirds (68%, or \$10.68 billion) of the increases in G7 development assistance to sub-Saharan Africa over the past decade were made between 2005 and 2010.

#### RESULTS SINCE 2000 ARE LIVING PROOF THAT INVESTMENTS IN DEVELOPMENT ARE WORKING

In partnership with African efforts, increased development assistance has helped achieve significant progress in countries across sub-Saharan Africa during the past decade.

Since 2000:

- The lives of nearly three-quarters of a million children have been saved through scaling up malaria interventions across 34 endemic countries in the region;<sup>1</sup>
- 46.5 million more children started going to primary school in sub-Saharan Africa;<sup>2</sup>
- Nearly 4 million people in the region have gained access to life-preserving antiretroviral treatment for AIDS;<sup>3</sup>
- Agricultural production in 17 sub-Saharan African countries has increased by 50%.<sup>4</sup>

#### BECAUSE OF SHORTFALLS FROM A SUB-SET OF COUNTRIES, THE G7 DELIVERED ONLY 61% OF THEIR PROMISED INCREASES TO SUB-SAHARAN AFRICA BY 2010

The G7 increased their annual development assistance to sub-Saharan Africa by \$11.197 billion between 2004 and 2010, delivering 61% of the \$18.227 billion increases they promised in 2005. The increases delivered were largely a result of the US, Japan and Canada surpassing their targets and the UK nearly meeting its very ambitious commitment. Three countries – Italy, Germany and, to a lesser extent, France – were responsible for most of the G7's shortfall. Germany and Italy missed their targets by a combined \$7.11 billion, and France by \$1.34 billion.

The Gleneagles agreement placed a special emphasis on sub-Saharan Africa, the region furthest from achieving the MDGs: approximately half of all pledged increases in development assistance were committed to the region. This was reinforced by a specific EU commitment at Gleneagles to direct half of all development assistance increases to sub-Saharan Africa.

The final figures show that, as a group, the G7 outperformed other groups of donors (driven particularly by the US and Japan), with 43% of their global increases going to sub-Saharan Africa between 2004 and 2010. This compares with just 28% for the EU15 and 36% for the OECD Development Assistance Committee (DAC) countries overall. Given the EU's specific Gleneagles commitment to the region, its poor performance is particularly concerning and needs to be addressed in future development assistance allocations.

## INDIVIDUALLY, SOME G7 EFFORTS TO MEET THEIR DEVELOPMENT ASSISTANCE TARGETS WERE COMMENDABLE, BUT OTHERS WERE CONDEMNABLE

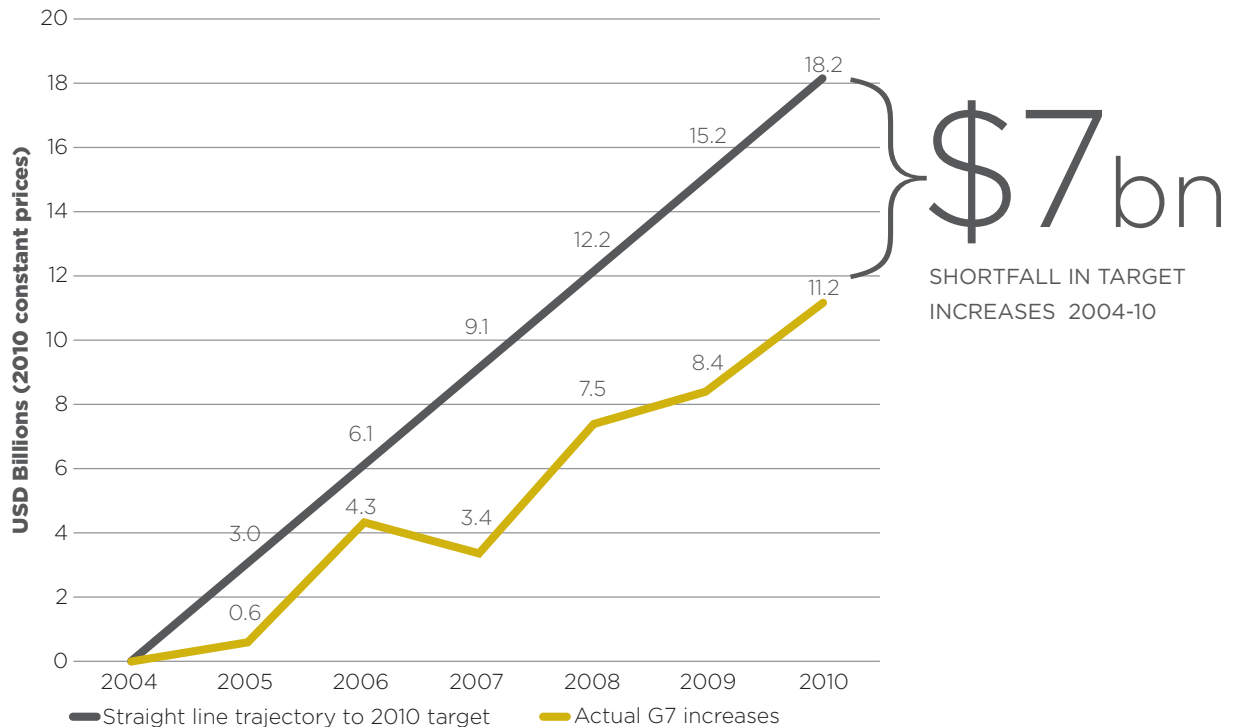
Some G7 countries showed tremendous leadership in meeting their commitments to sub-Saharan Africa by 2010, while others fell short.

- **THE UK** showed historic leadership during the five-year period, delivering 86% of its ambitious commitment to sub-Saharan Africa, with an increase of \$2.55 billion.
- **THE US** also made historic increases in development assistance to the region, meeting 121% of its Gleneagles commitment, with an increase of \$4.28 billion.
- **CANADA** and **JAPAN** met their relatively modest targets. Canada increased its development assistance to the region by \$779 million, delivering 197% of its committed increases. Japan met 126% of its bilateral target, delivering \$1.6 billion in total increases to the region between 2004 and 2010. Within the G7, Japan and Canada directed the largest proportions of their 2004–10 increases to sub-Saharan Africa (140% and 62% respectively).
- **FRANCE** increased its development assistance by \$1.086 billion, 45% of the total increases it promised to deliver after its initial pledges were revised down in subsequent years.
- **GERMANY** delivered only 23% of its committed increases by the end of 2010, with an increase of \$979 million. Among the G7, Germany allocated the second lowest proportion of global development increases to sub-Saharan Africa (18%) between 2004 and 2010.

■ **ITALY'S** dismal performance continues to undermine the credibility of collective G7 and EU efforts in sub-Saharan Africa. Its development assistance to the region has declined by \$78 million since 2004. Italy should immediately produce the 'piano di rientro' (recovery plan) promised by President Silvio Berlusconi in 2009.

■ **THE EU15** (including four G7 members) committed to increase development assistance to sub-Saharan Africa by \$18.902 billion between 2004 and 2010. With a \$6.541 billion increase, the EU delivered only 35% of its committed increases to the region. Nearly 40% of the increase came from one country, the UK. However, it is critical to note that several members of the EU15 are consistent high performers. Four in particular – Denmark, Luxembourg, the Netherlands and Sweden – maintained their target ODA/GNI ratios of 0.7% or above. Only Denmark and Luxembourg have met the official EU target for sub-Saharan Africa.

FIGURE 2  
THE G7'S PROMISED VERSUS ACTUAL INCREASES, 2004-10



## LOOKING FORWARD

### CLEAR AND COLLECTIVE COMMITMENTS ARE NEEDED TO ENSURE ACCOUNTABILITY POST-GLENEAGLES

Gleneagles bound together a diverse set of development assistance commitments and established the G8 summit as an annual moment of accountability. There is evidence that this sense of shared responsibility has helped to enforce delivery: the G7 grouping performed better than the EU and DAC in meeting their targets to increase ODA (delivering 61%, as opposed to the EU's 35% and the DAC's 56%) and in prioritising sub-Saharan Africa (directing 43% of increases to the region, as opposed to the EU's 28% and the DAC's 36%).

In a time of austere budgets and competing global priorities, accountability to development commitments is more critical than ever. In the years ahead, collective accountability will be more difficult to enforce without a comprehensive target or an annual global moment to evaluate progress.

One shared pledge that extends beyond 2010 is the EU's commitment to reach 0.7% ODA/GNI by 2015. Although the EU has committed 50% of its increases to the African continent, the proportion of resources intended for sub-Saharan Africa is not defined (though there is a commitment to allocate 0.15% GNI for low-income countries, most of which are in sub-Saharan Africa). This shift to focus on the entire African continent means that North African countries of increasing geopolitical importance (such as Egypt, Tunisia and Libya) will now be grouped with sub-Saharan countries. ONE is concerned that the expansion of focus from sub-Saharan Africa to include North Africa may dilute the focus on poverty alleviation that development assistance has achieved during the past decade.

Commitments by the three non-EU G7 members have expired or have been surpassed early (in the case of Japan). Canada and Japan lack ambitious new commitments, and the US has sectoral targets but no comprehensive plan to increase development assistance to sub-Saharan Africa. A number of donors which are not members of the G8 or EU (such as Australia and South Korea) or which do not report to the DAC (such as China and South Africa) have development assistance commitments as well.

Amidst this increasingly diverse and challenging landscape, it is critical that all development partners embrace the DAC's new recommendation on 'good pledging practice' and ONE's TRACK Principles. The TRACK Principles call for all donor pledges to be Transparent, Results-oriented, clear about the degree of Additionality and Conditionality, and audited by an independent mechanism to ensure that promises are being Kept.

### INNOVATIVE FINANCING CAN HELP MOBILISE THE RESOURCES NEEDED TO ACHIEVE THE MDGS

There is a significant resource gap that needs to be filled in order to meet the MDGs, and development assistance flows could be increasingly unpredictable over the next five years. Development partners should pursue new opportunities to leverage innovative financing for development that is additional to their existing development assistance commitments. Innovative financing mechanisms raised an estimated \$57 billion for development between 2000 and 2008 (through both donor funds and local-currency bonds),<sup>5</sup> using creative approaches ranging from the IFFIm's issuing of bonds to purchase vaccines, using an Advanced Market Commitment to spur the creation of a new pneumococcal vaccine, to mobilising resources from consumers to finance Global Fund programmes (via Product (RED)).

The G8 and G20 should identify opportunities to build on these successes in 2011. There are several innovative financing proposals that could garner support from a majority of G20 countries and raise significant new resources for development. For example, a combination of cutting remittance costs and issuing diaspora bonds could raise an additional \$6.65–\$12.3 billion for sub-Saharan Africa annually, and the proposed Financial Transaction Tax could raise \$128.4 billion if introduced in Europe (though the amount allocated to development would likely be much smaller). Windfall profits from gold sales by the International Monetary Fund could produce \$2.79 billion that could be directed towards low-income countries. Building on successful innovative health mechanisms (including launching a new AMC, expanding debt-for-health swaps and IDA buy-down efforts) could help generate \$7 billion for investments in global health.

## **IN A TIME OF CONSTRAINED RESOURCES, THE EFFECTIVENESS OF EACH DOLLAR IS EVEN MORE CRITICAL**

A lack of updated data hinders a comprehensive assessment of progress towards the commitments made at the 2005 and 2008 High Level Forums on Aid Effectiveness in Paris and Accra. However, the latest available data show that G7 countries lag far behind in meeting their targets. Progress on using country systems and coordinating division of labour to avoid fragmentation has been especially slow. Although G7 donors have nearly met their 2001 commitments to untie aid to Heavily Indebted Poor Countries (HIPCs), there is still a considerable amount of tied assistance both in policy and practice. Also concerning is the increasing proportion of loans within ODA (from 8.4% in 2005 to 13.6% in 2009), especially because many low-income countries are still facing unsustainable debt burdens despite large amounts of debt relief provided through HIPC and the Multilateral Debt Relief Initiative (MDRI).

One positive trend is the effort by some donors (notably the UK, US and Canada) to identify the results they intend to achieve through their development investments. These results-oriented commitments are helping to prioritise a focus on impact (instead of inputs) and are encouraging innovative new programme designs to maximise results. These commitments will require the same level of clarity and accountability as ODA pledges, as well as robust monitoring and evaluation that put the citizens of developing countries more in the driving seat of development processes.

At the Fourth High Level Forum in Busan in November this year, countries should set clear standards for monitoring and evaluating results, and should increase their efforts to pursue greater transparency of development assistance flows and of developing country budgets and statistics. They should also work with non-DAC donors and other actors to ensure broad participation in aid effectiveness standards and commitments.

## **NEW PARTNERSHIPS MUST BE BUILT ON TRANSPARENCY AND ACCOUNTABILITY**

Over the past ten years, Africa's partnerships with the BRICS (Brazil, Russia, India and China), other emerging economies and the private sector have grown tremendously. Though the main impact on Africa will be through increased trade and investment, and changes in global governance standards (such as transparency of extractive industries), the role of emerging economies as donors is becoming increasingly important. Countries such as Brazil, India, China, Saudi Arabia and Russia have been steadily increasing their bilateral aid in recent years, as well as their contributions to multilateral mechanisms and initiatives. Many countries are working to improve their statistical capacity and to build effective aid agencies (specifically through the DAC's Enhanced Engagement initiative).

These burgeoning relationships represent new resources for African countries, as well as opportunities to share knowledge and build a critical new dialogue among countries. Improved transparency and compliance with global development assistance standards will help strengthen and sustain these new partnerships. Non-DAC donors should work with the DAC and other partners to set a timeline to start reporting their ODA figures. Two G20 countries (Saudi Arabia and Turkey) have already started reporting. Non-DAC donors should also work with African countries to establish shared guidelines and objectives for their comprehensive aid, trade and investment partnerships, as well as set clear development commitments and continue to participate in global forums on aid effectiveness.

FIGURE 3

**GLOBAL ODA** (ALL FIGURES ARE NET OF BILATERAL DEBT RELIEF, IN \$ MILLIONS, 2010 PRICES)

	2010 GLOBAL ODA (ODA/ GNI)	2004 GLOBAL ODA**	2010 GLOBAL ODA	CHANGE IN GLOBAL ODA 2004-10	PERCENTAGE INCREASE IN GLOBAL ODA 2004-10
<b>CANADA</b>	0.33%	3,815	5,075	1,259	33%
<b>FRANCE</b>	0.44%	7,773	11,439	3,666	47%
<b>GERMANY</b>	0.38%	7,270	12,642	5,372	74%
<b>ITALY</b>	0.14%	3,420	2,882	-538	-16%
<b>JAPAN</b>	0.20%	9,890	11,031	1,141	12%
<b>UK</b>	0.56%	7,029	13,581	6,552	93%
<b>US</b>	0.21%	21,673	30,127	8,454	39%
<b>G7</b>	0.27%	60,871	86,777	25,906	43%
<b>EU15</b>	0.44%	43,534	66,640	23,107	53%
<b>DAC</b>	0.31%	87,270	125,064	37,794	43%

FIGURE 4

**ODA TO SUB-SAHARAN AFRICA (SSA)**

(ALL FIGURES ARE NET OF BILATERAL DEBT RELIEF, IN \$ MILLIONS, 2010 PRICES)

	2004 ODA TO SSA**	2010 ODA TO SSA	% OF 2004-2010 TARGET INCREASES MET	SHORTFALL IN TARGET INCREASE PROMISED (\$ MILLIONS)	% OF 2004-10 GLOBAL ODA INCREASES TO SSA
<b>CANADA</b>	1,105	1,884	197%	N/A	62%
<b>FRANCE</b>	3,119	4,205	45%	1,338	30%
<b>GERMANY</b>	2,453	3,432	23%	3,292	18%
<b>ITALY</b>	1,278	1,200	-2%	3,818	14%
<b>JAPAN*</b>	1,746	3,346	126%	N/A	140%
<b>UK</b>	2,509	5,059	86%	429	39%
<b>US</b>	5,268	9,550	121%	N/A	51%
<b>G7</b>	17,479	28,676	61%	7,030	43%
<b>EU15</b>	16,005	22,546	35%	12,361	28%
<b>DAC</b>	26,162	39,677	56%	10,560	36%

\* Japan's commitment to sub-Saharan Africa was only for bilateral ODA. For the purposes of monitoring the percentage of increases promised to the region, ONE only considers bilateral ODA. To generate a 2010 target for the G7 as a whole, ONE assumes flatlined Japanese multilateral ODA for 2010.

\*\*Because multilateral disbursements can spike from year to year, ONE uses the average multilateral disbursements for 2004 and 2005 to establish a baseline for progress by each donor.

FIGURE 5

**2010 G7 ODA** (ALL FIGURES ARE NET OF BILATERAL DEBT RELIEF)

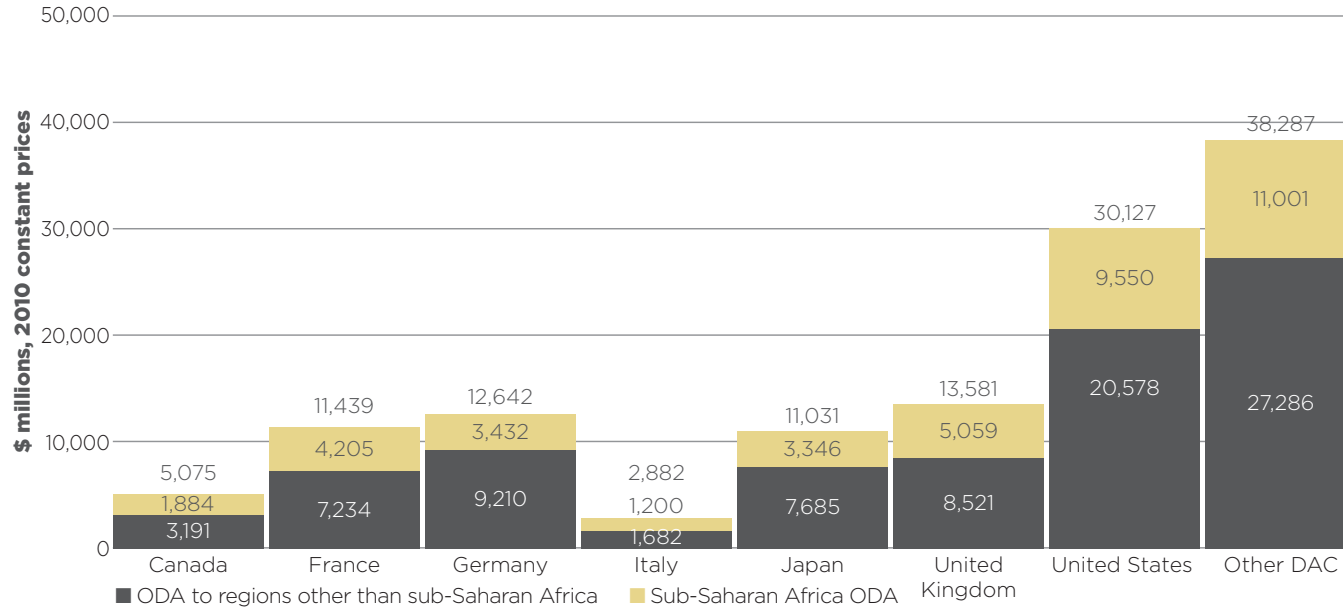


FIGURE 6

**2010 G7 ODA/GNI** (ALL FIGURES ARE NET OF BILATERAL DEBT RELIEF)

