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Beyond Aid:

Financing Agriculture in ACP countries

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Beyond Aid: Financing Agriculture in ACP countries

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This Reader is not intended to exhaustively cover the theme of ACP Food security and the Global Economic Crisis but to provide some background information and selected information resources. Most text of this Reader has been directly taken from the original documents or websites. For additional inputs, kindly contact Isolina Boto (boto@cta.int). The Reader and most of the resources are available at http://brusselsbriefings.net/.

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Background

Agriculture plays a crucial role for economic growth and development. In its 2008 World Development Report (WDR) on Agriculture and Development[2] , the World Bank revealed that three out of four people in developing countries are living in rural areas, accounting to nearly half of the world's population. An estimated 86% of the people living in rural areas consider agriculture as their main source of livelihood since they depend on agriculture to provide for their daily needs. The agricultural sector therefore is a driving force for income generation and job creation and remains to play a vital role for economic growth and sustainable development. In developing countries, agriculture generates on average 29% of their gross domestic product (GDP) and employs 65% of the labor force. About two thirds of the world's agricultural value added is produced in developing countries. At the same time, agriculture also plays an important role in transforming and urbanized economies, where industries and services linked to agriculture account for more than 30% of GDP[3]. Furthermore, empiric evidence suggests that GDPgrowth originating from agriculture is as least twice as effective in reducing poverty as GDP growth linked to the non-agricultural sectors[4] .

Despite the "rediscovery" of the importance of agriculture sector development for food security, poverty reduction and economic growth, many developing countries still face severe constraints in this regard, resulting from unsustainable development strategies of previous decades as well as external shocks. In recent decades there was a sharp decline in overall spending on agriculture by donors and African governments. After the Second World War there were several decades of strong support but, subsequently, international funding for agriculture began to decline in both absolute and relative terms. This decline was particularly acute in Africa, where donor assistance to African agriculture fell dramatically during the 1990s[5] . From 1991 to 2002, donor aid to African agriculture fell in absolute and proportional terms - from about US$1.7 billion to US$1 billion (19 per cent to 10 per cent) - while that for social services (health and education) increased from 32 per cent to 56 per cent[6] . Despite this, dominant rural and agricultural development themes over recent decades have included a reduction of direct state involvement in markets and provision of related physical infrastructure and less on public investment in agricultural research and extension programmes. Structural adjustment programmes have forced many African governments to dismantle public agricultural research and extension programmes and drop whatever protection and incentive mechanisms that may have existed for their small-scale farmers, despite general agreement that promoting growth in agriculture has poverty reduction effects. This had profound impacts on agriculture including forcing small-scale farmers off the land and shifting the control of food production to large national or international agribusiness. The challenge for the new agriculture agenda is underscored not least by the projected increased population – up to 9 billion by 2050 – and changing demographics, with an increasing proportion of the population living in urban areas up from the current 50 per cent and with the urban population shouldering a greater percentage of overall poverty. Increasing constraints on the supply of oil, water, land and the loss of agricultural biodiversity from which all food is produced is also causing production and distribution challenges.

The need for investments in agriculture has thereby reinvigorated the discussion and offers a broad range of investment opportunities for public and private investors along the agricultural value chain. The global food price crisis of 2007 brought renewed attention to agriculture and food security, while the global economic crisis not only has had negative impact on trade, credit, FDI but has brought to the fore the question of aid commitments.

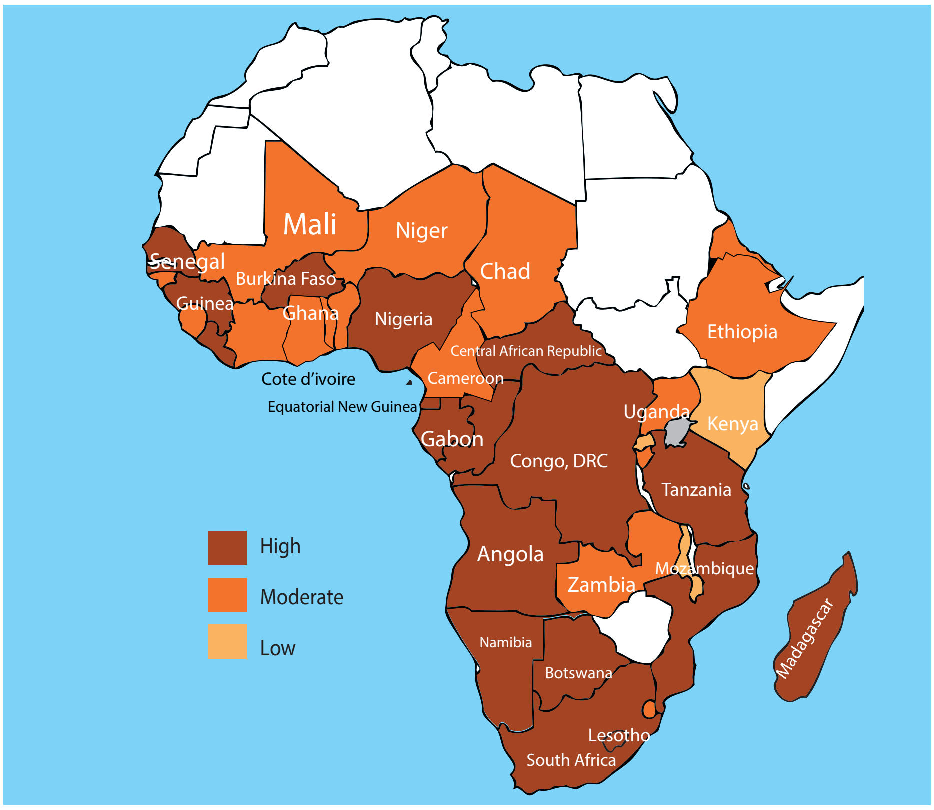
1. The effects of the global food and financial crisis

Advanced economies are suffering their deepest recession since World War II, and growth in emerging and developing economies will slow sharply as export demand and commodity prices fall and external financing constraints tighten[7] . Global output—from growing at about 3 percent in 2008—is projected to contract by about 1 percent in 2009 before gradually recovering by about 2 percent in 2010, helped by fiscal stimulus, monetary easing, and financial sector measures in major economies. But the global downturn could be deeper and the financial strains even worse than expected. In advanced economies, despite strong policies to stimulate recovery, output is expected to drop by about 3 percent in 2009, and to stabilize in 2010[8] .Growth in emerging and developing economies is now expected to slow from about 6 percent in 2008 to less than 2 percent in 2009, dragged down by falling export demand, subdued capital inflows, and lower commodity prices. There are at least three channels through which the effects of the crisis are being transmitted to all African economies. Most are already at work; some may gain prominence rapidly. Lower global growth reduces demand for African exports, pushes commodity prices and government revenues down, and curtails the flow of remittances from abroad, thereby reducing domestic consumption. On average, a 1 percentage point decline in world growth (trade weighted by partner countries) is associated with a drop of about 0.5 percentage point in GDP growth in sub-Saharan Africa. Risk aversion has reduced FDI and reversed portfolio inflows as investors flee to more liquid or safer assets[9] .The global crisis could eventually cause donors to reduce their aid to Africa. At the Gleneagles summit in 2005, Africa's partners agreed that for Africa to reach the MDGs, official development aid (ODA) would have to double by 2010. The latest OECD-DAC data show that by 2010 Africa is likely to receive less than half of the additional aid that donors agreed to provide to the region at the 2005 G-8 Gleneagles Summit: about $11 billion of the $25 billion in additional aid financing[10] . The crisis highlighted the need for additional external assistance (in the face of declining growth and government revenues and increasing poverty), and the fact that, given the economic policy response to the crisis, additional aid at this time could be highly productive.

1.1. The Impact of the Global Slowdown in Africa

Although Africa is the least integrated region in the world, it was not able to escape the effect of the global economic crisis. The combination of weak export demand, lower commodity prices, declining private capital flows (which had exceeded foreign aid in 2007), slowdown in remittances, lower tourism revenues,and weaker government revenues all conspired to reduce Africa's economic growth rate by close to four percentage points in 2009. The region's middle-income countries, which are more integrated in global markets, were the hardest hit: with growth slipping by about 4.5 percentage points in 2009. Slumping energy prices depressed earnings of oil-exporting countries, contributing to the weak economic performance of these economies[11] . Until the onset of the global financial crisis, Africa had been experiencing a period of sustained and widespread growth. In addition to the oil exporters, some 22 non- oil-exporting countries were experiencing better than 4 percent growth for a decade. The region's per capita GDP was growing at an average annual rate of over 2 percent.

The sources of this growth were three-fold: (i) external resources—aid, debt relief, private capital flows and remittances were all increasing; (ii) strong commodity prices and a buoyant global economy; and (iii) improved macroeconomic policies, reflected for instance in the fact that the median inflation rate in the mid-2000s was about half that in the mid-1990s.



The Impact of the Global Financial Crisis on Sub-Saharan Africa

Source: IMF, World Economic and Financial Surveys, Regional Economic Outlook, Sub-Saharan Africa, April 200912

1.2. Africa's policy response to the crisis

Despite its severity, the response of African policymakers to the global economic crisis helped to dampen the impact, and set the stage for the continent to benefit from a global recovery. Many countries maintained and, in some cases, even increased social spending. Safety nets were ramped up in several countries: countries have attempted to protect the poor by scaling up existing safety net programs where they exist and appear to be functioning well—Ethiopia, for instance, has increased the wage paid in its public works program. Countries also focused on supporting capital spending to finance much-needed infrastructure. For example, in the Republic of Congo, capital spending increased from 9.4 percent of GDP in 2008 to 14.4 percent of GDP in 2009 in order to accelerate the rehabilitation and reconstruction of basic infrastructures. In Rwanda, capital expenditures increased from 8.6 percent of GDP in 2007 to 11.2 percent of GDP in 2009. The international financial institutions responded strongly to support countries' efforts to limit the economic slowdown, protect core developments, strengthen the private sector, and assist the poor. Overall, African countries saw a widening of fiscal deficits by about 3 percent of GDP in 2009, as countries used fiscal policies to counter the effect of the slowdown in economic activity. Fiscal deficits rose by over 9 percent of GDP for the group of oil-exporting countries and by nearly 7 percent of GDP for middle-income countries. Among low-income countries, those that had fiscal space, such as Tanzania and Zambia, ran modest fiscal deficits; those that did not, such as Ghana, contracted their deficits[13] . The prudent response to the crisis means that the policy environment in Africa, which had been improving until the crisis, continued to improve during the crisis. As a result, Africa's economic growth is expected to turn around faster than in previous crises. Of course, sustaining the recovery will depend upon the quality of domestic policies and on the growth performance in key export markets and investment partners, particularly the United States, the European Union, and China.

2. Implications of the global financial crisis on investments in agriculture

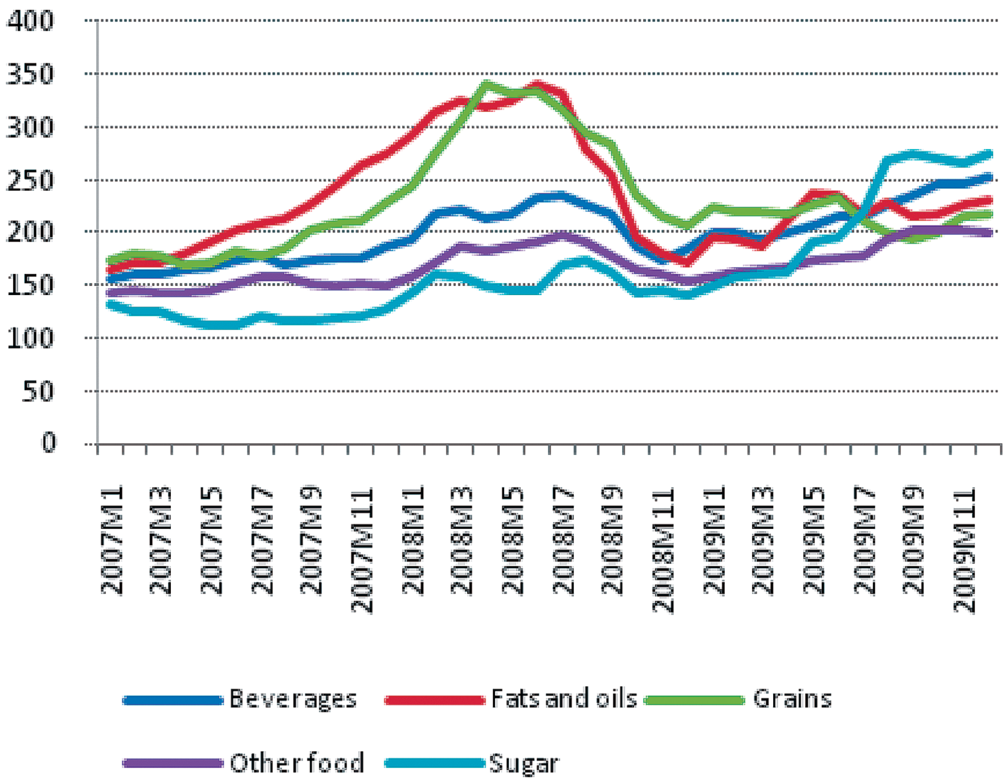
The most relevant impacts have been the decreasing demand for agricultural exports, the volatility of exchange rates and reduced access to pre-refinancing sources relevant for agricultural production. The increased income of the middle class in some emerging economies - notably China and India – had been one of the main factors pushing up food prices to record levels over the last years. The situation has started to change since the beginning of the global financial and economic crisis in 2008. The purchasing power of the middle classes in those countries declined due to decreasing incomes and growing unemployment. Therefore, global demand for food commodities decreased considerably in comparison to 2007. World cereal trade based on tons traded is expected to fall by 4% in 2009-1014 while the global food import bill is expected to fall by 22%[15] .

In countries where a large share of inputs has to be imported (like herbicides, fertilizers and vaccines for the live stock) agricultural producers are particularly exposed to foreign exchange risk. This is also the case when credit for pre-financing production and investments in capital goods for agriculture are denominated in foreign currency. With producers having their income commonly denominated in domestic currency, agricultural endeavors are confronted with severe difficulties to cope with the unprecedented volatility of the currencies during the last quarters. It also makes land cheaper to foreign investors from countries with strong currencies. Another factor severely affecting the agricultural sector in developing countries is the shortage of financing sources faced by basically all agricultural stakeholders. From the obstacles faced by producers when requesting loans for buying seeds to the difficulties faced by international investors in agriculture to attract new funding, the lack of financing has been felt all along the agricultural supply and production chain. Financial institutions have been affected by the worsening quality of their portfolios, which has led them to adopt more conservative lending practices. At the same time, they have been facing a reduced access to refinancing sources and hence liquidity. Obtaining loans from banks or other institutions for financing equipment and other investments required by the producers turned much more difficult than one year ago. In Brazil, for example, the government had to step in and increase the portion of demand deposits that banks must lend to the agricultural sector from 25 to 30%, in order to ensure that funds were available for the planting season. Traders – particularly important as a prefinancing source for small-scale farmers – also face difficulties to provide the required levels of funds. The global investment needs for agriculture are significant.

The International Food Policy Research Institute (IFPRI) estimated the global incremental agricultural public investment required—the additional amount necessary to meet the MDG goal of halving poverty by 2015—to be US$14 billion annually for all developing countries[16] . The estimated incremental annual investment needed in Sub-Saharan Africa ranged from US$3.8 to US$4.8 billion (the former using a unit cost approach, the latter being the additional investment needed to meet the Maputo Declaration of spending 10 percent of Government budgets on agriculture).

2.1. Fiscal Responses of sub-Saharan African countries to the Food and Fuel Crisis[17]

Many sub-Saharan African countries used fiscal policy to respond to the food and fuel prices that began in 2007.The most common fiscal policy measure was a tax decrease. Food taxes were decreased in 4 African countries in 2007, but in 28 in 2008. Fuel taxes were decreased in 8 countries in 2007 and in 13 countries in 2008. In the SACU area, tariffs on some food imports, notably sugar, were reduced. In Madagascar, Mali, and Sierra Leone import tariffs on rice were lowered. Several countries also introduced or increased subsidies on food, fuel, and agricultural products. For example, Zambia and Nigeria expanded their fertilizer subsidy programs. Other countries chose to ban exports of agricultural products to prop up domestic supply. The fiscal costs associated with these responses doubled between 2007 and 2008, averaging 1 percent of GDP in 2008; in Angola they reached 6.6 percent of GDP. As commodity prices began to fall in late 2008, Seychelles abolished the rice subsidy it had introduced the previous year. Burkina Faso, Niger, Mozambique, and Senegal phased out temporary suspensions of customs duties and taxes. As a result of such reversals, the fiscal costs of responses to the food and fuel crisis are expected to drop by an average of 0.4 percent of GDP in 2009 (to 0.6 percent of GDP). But 4 in 10 African countries have not yet announced intentions to reverse fiscal measures targeted at reducing domestic food and fuel prices, which in many cases means they will collect less revenue. Global food prices rose again[18] by 24 percent between December 2008 and December 2009 (and by 16.7 percent between December 2008 and March 2010) according to the World Bank food benchmark



Source: World Bank Food Price Watch February 2010

index[19].Although food prices remain below the highs of mid-2008, the recent double-digit increase in food prices could aggravate the adverse effect of the food price spike of 2008, which still linger in many countries in the region. The two main reasons for this are: the price adjustment in domestic markets has been much slower than the easing of food prices in international markets after the mid-2008 spike; and, the global economic crisis may have further strained the already stretched coping mechanisms of the poor in these countries. Among countries with the largest increase in domestic price of main staples (out of 58 countries monitored by FAO, GIEWS) for January-October 2009 were several Sub-Saharan African countries: Nigeria (sorghum 50%), Uganda (maize 35%), Sudan (sorghum 24%), Tanzania (maize 23%), and Kenya (maize 16%).
The upward trend in price of staples in domestic markets is worrisome as it poses a significant threat to both food security and nutrition in the region.

3. The Financial Aid Architecture

The 2002 Monterrey Consensus is the partnership between developed and developing countries to find ways of financing development that will meet the Millennium Development Goals. It recognised the importance of different sources of development finance, including domestic savings and government revenue mobilisation, private capital flows, and official development assistance, alongside measures to reduce external debt[20] .

African leaders had before Monterrey already emphasised the importance of domestic savings and improvements in public revenue collection, as well as private capital flows, in the NEPAD founding statement of 2001. They have re-emphasised their commitment to mobilize additional domestic resources, and to improve the investment climate in order to attract increased domestic and foreign private investment, at successive points since then, including the AU Heads of State Declaration of 2005. Commitments from development partners have come in 2 main ‘waves’. During or after Monterrey in 2002, they entered into substantial new commitments to increase official development assistance (ODA), though without making specific commitments in relation to Africa, including an EU commitment to reach an interim target of 0.39% as a proportion of gross national income (GNI) by 2006. They also pledged to improve aid effectiveness. An important second wave of commitments, in relation to ODA volumes, aid effectiveness, innovative financing mechanisms and debt relief, came in 2005 – including a more specific focus on Africa, and with important separate commitments on multilateral trade reform at the Hong Kong WTO Ministerial of the same year:

- The EU committed to a further increase in ODA to 0.56% of GNI by 2010, with half of this increase going to sub-Saharan African countries. Other development partners also committed themselves to increase, their ODA to sub-Saharan African countries, and the 2005 Gleneagles G8 Summit estimated that the various commitments which had been made would lead to an increase of ODA to Africa of US$25 billion a year by 2010 compared to a 2004 baseline;

- Both development partners and African governments entered into substantial commitments to improve aid effectiveness in the Paris Declaration, based on an agenda of ownership by developing countries, alignment with national development strategies, harmonisation of donor actions, results and mutual accountability (the Accra Agenda for Action of 2008 contains further commitments on aid effectiveness);

- Development partners committed themselves to the development of innovative financing mechanisms as a way of helping to deliver the complementary finance needed to achieve the MDGs;- Development partners also committed themselves to a new Multilateral Debt Relief Initiative involving the cancellation of outstanding debts of all post-completion Highly Indebted Poor Countries (HPICs) to the IMF, IDA and the Regional Development Banks.

The results have been a substantial increase in the availability of development finance combined with a reduction in external debt. This has been driven by an increase in domestic revenue, which is by far the most significant source of development finance in Africa. The increase in private flows has outpaced the increase in ODA, with result that private flows have overtaken ODA and are now the second most significant source of finance. There is also a growing diversity of sources of finance, including remittances and philanthropic foundations, non-DAC donors, and innovative financing mechanisms:

- Between 2002 and 2007, the combination of domestic public revenue, private external flows, and ODA from OECD DAC donors, rose from US$176 billion to US$487 billion for Africa as a whole; within this the total for sub-Saharan Africa rose from US$99 billion to US$289 billion; the total for North Africa rose from US$77 billion to US$196 billion;

- Domestic revenue accounts for around 75% of this total, for Africa as a whole. For North Africa the figure is around 85%; for sub-Saharan Africa the figure is around 70%;

- In 2002 ODA flows were larger than private external flows. By 2004 the level was similar. By 2005 private external flows had overtaken ODA. In 2007 private flows were twice as large as ODA flows;

- The increases in remittances, philanthropic flows, and ODA from non-DAC donors, combined with new flows from innovative financing mechanisms, added to total available finance

3.1 Overview of commitments21

3.1.1. Development Partners

a) On Aid Volume

Monterrey and Kananaskis G8 (2002)
The Monterrey Conference on Financing for Development urged developed countries to make concrete efforts towards the ODA/GNI target of 0.7%. Subsequently, the European Union committed to reach an interim target of 0.39 percent and the U.S. to increase its ODA by US$5 billion between 2002 and 2006.14. At Kananaskis in 2002, the G8 reconfirmed ODA commitments made in Monterrey.

Further Commitments Made in 2005
The EU member countries as a group pledged in May 2005 to reach 0.7% of ODA/GNI by 2015 with an interim collective target of 0.56% in 2010 and individual target of 0.51% for the 15 pre-enlargement member states (EU-15) and 0.17% for new member states by 2010 and at least half of the increase going to Africa. At the subsequent G8 meeting in Gleneagles, other G8 member countries made further commitments, which together with contributions by other DAC donors would lead to a doubling of official development assistance to Africa to US$50 billion a year[15] by 2010 compared to the 2004 level. Copenhagen Accord
The Copenhagen Accord agreed on actions to prevent an increase in global temperature above 2 degrees Celsius relative to pre-industrial times. Estimates suggest that this will require annual funding of $30 bn from 2010 to 2012 and $100 bn a year by 2020 to address the needs of developing countries alone.

b) On Aid Effectiveness

Monterrey and Kananaskis G8 (2002)
The Monterrey Consensus (2002) urged multilateral and bilateral financial and development institutions to intensify efforts to harmonize their operational procedures so as to reduce transaction costs; untie aid to the least developed countries, as agreed by OECD/DAC; enhance resource predictability; promote ownership and leadership of development strategies by developing countries; enhance recipient countries' input in technical assistance programmes; and increase the effective use of local technical assistance resources. At Kananaskis in 2002, the G8 pledged to improve aid effectiveness, reduce the burden of aid management, and annually review progress towards the MDGs. They reiterated their 2001 commitment to untie aid to the least Developed Countries.

World Summit Outcome, 2005
Leaders reaffirmed their commitments in the Monterrey Consensus and urged develop countries to make more concrete efforts to fulfill their commitments on aid quantity and aid quality.

Paris Declaration on Aid Effectiveness, 2005
Development partners made commitments to: respect partner country leadership over their development policies and programs; base their support on partner countries' national development strategies, institutions, and procedures; harmonize donor actions; focus on results; and provide timely, transparent and comprehensive information on aid flows.

Accra Agenda for Action, 2008
Donors and developing countries reaffirmed the Paris Declaration commitments and agreed on concrete and monitorable actions to accelerate progress to meet those commitments by 2010.

Aquila commitments, 2009
In L'Aquila, the G8 and other donors committed to provide $20 billion (since revised to $22 billion) over three years for the L'Aquila Food Security Initiative. Through the initiative, donors committed to develop and fund comprehensive food security plans and encourage donor coordination, together with support for country-led processes including initiatives such as the Comprehensive Africa Agriculture Development Programme (CAADP), a focus on smallholder and women farmers, and the use of multilateral institutions whenever possible.

3.1.2. Africa:

NEPAD , October 2001

NEPAD's founding statement in 2001 identified domestic savings and improvements in public revenue collection as key resources to be supplemented by official development assistance, debt relief and private capital flows. The statement further underlined that improved governance is a prerequisite for increased capital flows.

AU Heads of State Declaration, July 2005

African leaders resolved to mobilize additional domestic resources for financing of MDGs and called on the private sector to contribute more substantially to development on the continent and to efforts to meet the MDGs.

CAMEFII Declaration, November 2006

At the Conference of African Ministers of the Economy and Finance (CAMEF II) Ministers made a commitment to put in place mechanisms for mobilization of domestic resources in order to ensure sustainability in the implementation of their socio-economic development agenda.

Paris Declaration on Aid Effectiveness, 2005

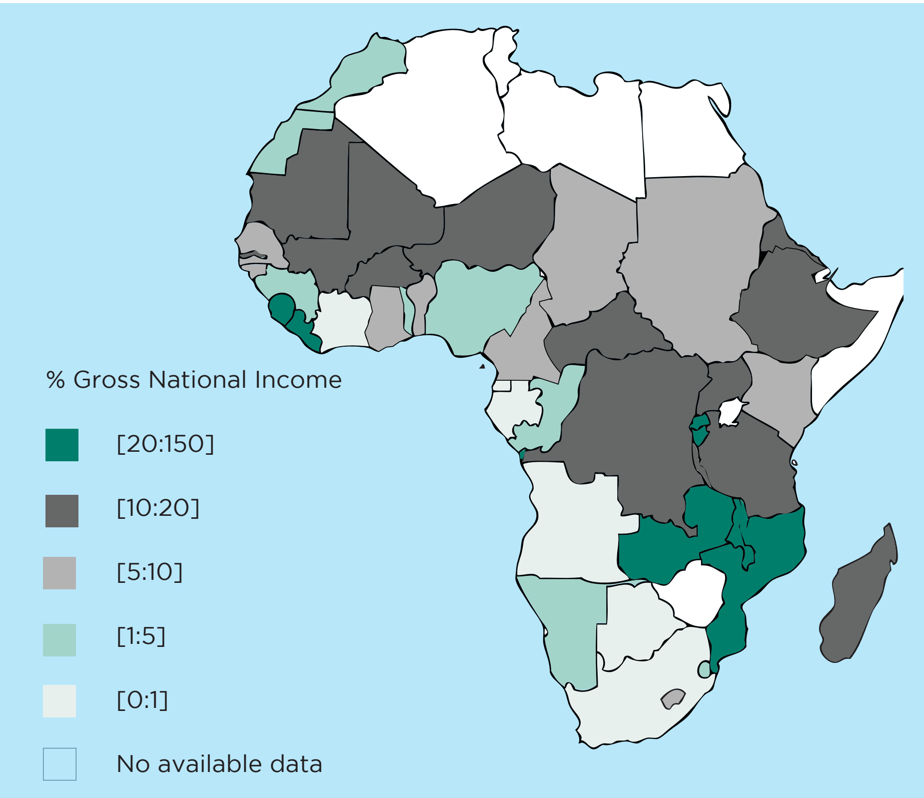
Developing countries made commitments to: exercise effective leadership over their development policies and programs; strengthen national systems and public financial management capacity with support from donors; manage resources and improve decision-making for results; and be mutually accountable for development results.

Accra Agenda for Action, 2008

Developing countries and donors reaffirmed the Paris Declaration commitments and agreed on concrete and monitorable actions to accelerate progress to meet those commitments by 2010.

In 2008 aid volumes reached their highest historical level: USD 121.5 billion. Nonetheless, reduced growth

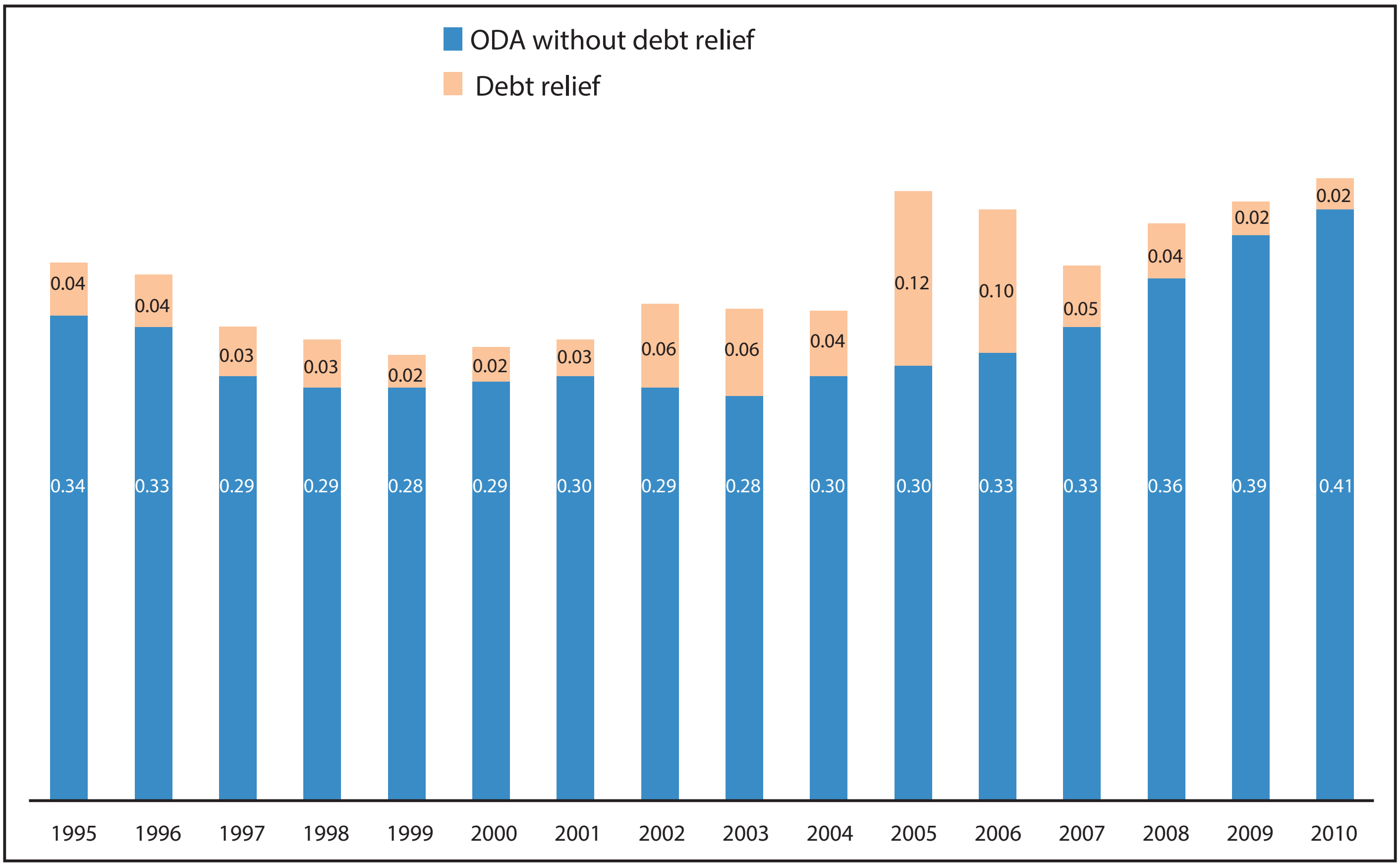
3.2 The level of Official Development Assistance (ODA)



Aid dependence in Africa (2007)

Source: OECD-African Economic Outlook 2010

Figure 2 - EU ODA and Debt Relief as a % of GNI



Source: OECD DAC (covering 20 EU Member States reporting to the DAC)

in that year and the economic contraction in 2009 have lowered the dollar value of pledges made in 2005 at the Gleneagles G8 and UN Millennium +5 summits from the projected USD 130 billion to about USD 124 billion (in constant 2004 dollars)[22] . The Development Assistance Committee (DAC)'s monitoring of funding projections shows that most donors plan to continue increasing their aid. Some donors, however, have not lived up to their promises and may fall further behind their commitments as ODA budgets stagnate or shrink.

Based on current information, the overall expected ODA level for 2010 is estimated at USD 107 billion (expressed in 2004 dollars.[23] The shortfall in relation to the 2005 projections particularly affects Africa. In 2008 total net ODA from members of the DAC rose by 11.7% in real terms, to USD 121.5 billion – the highest absolute level of aid ever recorded. This figure represents 0.31% of members' combined gross national income.

Between 2007 and 2008 the volume of DAC donors' (bilateral) development projects and programmes also rose substantially, by 14.1% in real terms. Indeed, bilateral development projects and programmes have been rising in recent years, indicating that donors are substantially scaling up their core. The largest donors by volume in 2008 were the United States, Germany, the United Kingdom, France and Japan. Five countries exceeded the United Nations target of 0.7% of gross national income (GNI): Denmark, Luxembourg, the Netherlands, Norway and Sweden.

The largest volume increases came from the United States, the United Kingdom, Spain, Germany, Japan and Canada. In addition, Australia, Belgium, Greece, New Zealand and Portugal recorded significant increases. In 2008 net ODA by the United States was USD 26 billion, representing an increase of 16.8% in real terms. Its ODA/GNI ratio rose from 0.16% in 2007 to 0.18% in 2008. The United States' net ODA levels increased to practically all regions, particularly sub-Saharan Africa (+38.3% in real terms to USD 6.5 billion).

Net ODA also increased substantially to the group of Least Developed Countries (LDCs) (+40.5% in real terms to USD 6.9 billion), and humanitarian aid also rose significantly (+42.5% in real terms to USD 4.4 billion) owing mainly to increased relief food aid. Japan's 2008 net ODA was USD 9.4 billion, representing an increase of 8.2% in real terms over 2007. Its net ODA/ GNI ratio rose from 0.17% in 2007 to 0.18% in 2008. The increase is mainly due to a rise in contributions to international financial institutions. This reverses the downward trend in Japan's ODA since 2000 (excluding peaks in 2005 and 2006 due to high levels of debt relief).

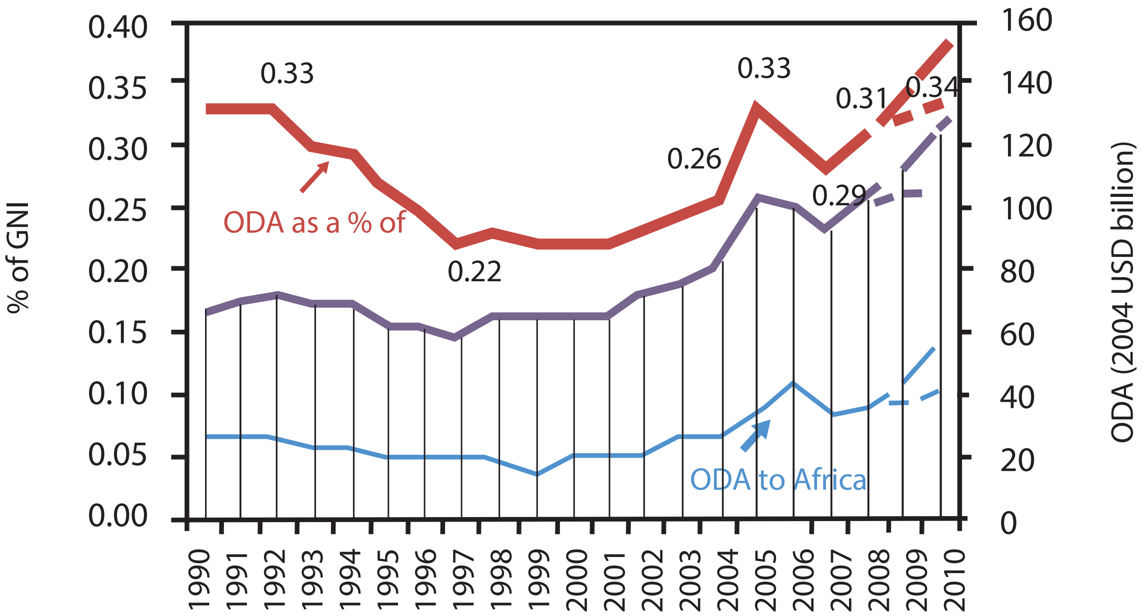
The combined net ODA of the 15 DAC members that are also EU members rose by 8.6% in real terms to USD 70.2 billion, representing 59% of all DAC ODA. As a share of GNI, net ODA from DAC-EU members rose to 0.42%. In real terms, for different reasons, net ODA rose in 14 DAC-EU countries. It fell in Austria (-14%) owing to a lower level of debt relief grants provided in 2008 compared with 2007. The European Commission's net ODA rose by 6.8% in real terms to USD 13.4 billion, mainly owing to an increase in technical co-operation activities and humanitarian aid.

Net ODA from other DAC countries rose or fell between 2007 and 2008 as follows: Australia (+13.8%), reflecting an overall scaling up of its aid; Canada (+12.2%), because of an overall scaling up of its aid and increased contributions to the World Bank; New Zealand (+11.0%), reflecting an increase in bilateral ODA; Norway (-2.4%); Switzerland (+6.5%), as it increased its bilateral aid. In 2005 donors committed to increase their aid at the Gleneagles G8 and UN Millennium +5 summits. The pledges made at these summits, combined with other commitments, implied lifting aid from USD 80 billion in 2004 to USD 130 billion in 2010, at constant 2004 prices. While a few countries have slightly reduced their targets since 2005, the bulk of these commitments remains in force. However, reduced growth in 2008 and economic contraction in 2009 reduce the dollar value of commitments expressed as a percentage of national income. Overall, the current commitments suggest an ODA level of USD 121 billion in 2010, expressed in 2004 dollars, or an increase of USD 20 billion from the 2008 level Africa can expect some further increases in aid. A new survey of donors' forward spending plans suggests an 11% increase in programmed aid between 2008 and 2010, including larger disbursements by some multilateral agencies.
Debt relief may also increase slightly as the debt of the remaining HIPCs is treated in the Paris Club. However, the current outlook suggests that at least USD 10-15 billion must still be added to current forward spending plans if donors are to meet their current 2010 commitments. The 2008 ODA data as well as forward spending plans suggest that with some further effort most donors are within reach of their 2010 targets. The countries that have already met the UN ODA target of 0.7% of GNI are expected to continue to do so. Most other DAC members are expected to meet, or nearly meet, their 2010 targets. However, there are likely to be large shortfalls in a few countries. For example, ODA in 2008 from Austria, Italy and Greece, excluding debt relief, is well under half their ODA/GNI target for 2010. Only a special crisis-related effort can ensure that the 2010 targets for aid are met, which is even more important now that the economic crisis is reducing developing countries' growth prospects and their ability to make progress towards the Millennium Development Goals (MDGs). Although a majority of countries will meet their commitments, the underperformance of several large donors means there will be a significant shortfall, according to a new OECD review. Africa, in particular, is likely to get only about USD 12 billion of the USD 25 billion increase envisaged at Gleneagles. This shortfall is due in large part to the underperformance of some European donors who give large shares of ODA to Africa. The World Bank and IMF have also launched new calls for increased aid funding because of the considerable concern among developing countries in Africa and elsewhere that the recent global financial crisis may

result in reductions in aid budgets instead of the further increases that have been pledged. Aid cuts at this point in time would place a dangerous additional burden on developing countries already faced with restricted sources of income and increased poverty. Such cuts would perhaps undo some of the progress already made towards meeting the MDGs.

Disbursements and accountability

Aid agencies face a number of problems that are traditional in the



public sector: (i) the coexistence of multiple objectives; (ii) the difficulty of assessing aid outcomes; (iii) a lack of performance incentives. Usually, the users (customers) of a country's public agencies are informed of the programmes that concern them and the benefits they can derive from such programmes; in their capacity as citizens, they can sanction the politicians responsible for the quality of service delivered by these agencies. In the case of aid, this no longer holds true, since those who finance aid (taxpayers in donor countries) are not the direct beneficiaries and thus are not in a position to gauge its effectiveness. Aid beneficiaries, for their part, do not have the right to vote in donor countries and hence have no power to sanction those responsible for aid policy. The "feedback loop" – the mechanism that normally transmits information (and accountability) between those who pay for public policies and those who benefit from them – is thus broken in the case of aid[24] .

Emerging donors

South or "emerging" donors traditionally account for around 5-10 percent of ODA. The principal countries involved are large states such as China and India, as well as South Africa, Brazil, Malaysia, Mexico, Venezuela, new EU members, OPEC and Middle East countries. China's major expansion of investment in Africa started in 2000, when it hosted the China-Africa Cooperation Forum. In 2006 China committed to double its development aid, to make US$5 billion in loans and investment credits over the following three years, and to cancel debt from all African least developed and highly-indebted countries.

Activities under Chinese-African Cooperation often do not meet OECD's definition of ODA, mixing concessional and non-concessional aid, and being often tied.[25] Large philanthropic private foundations are gaining prominence as sources of development funding.

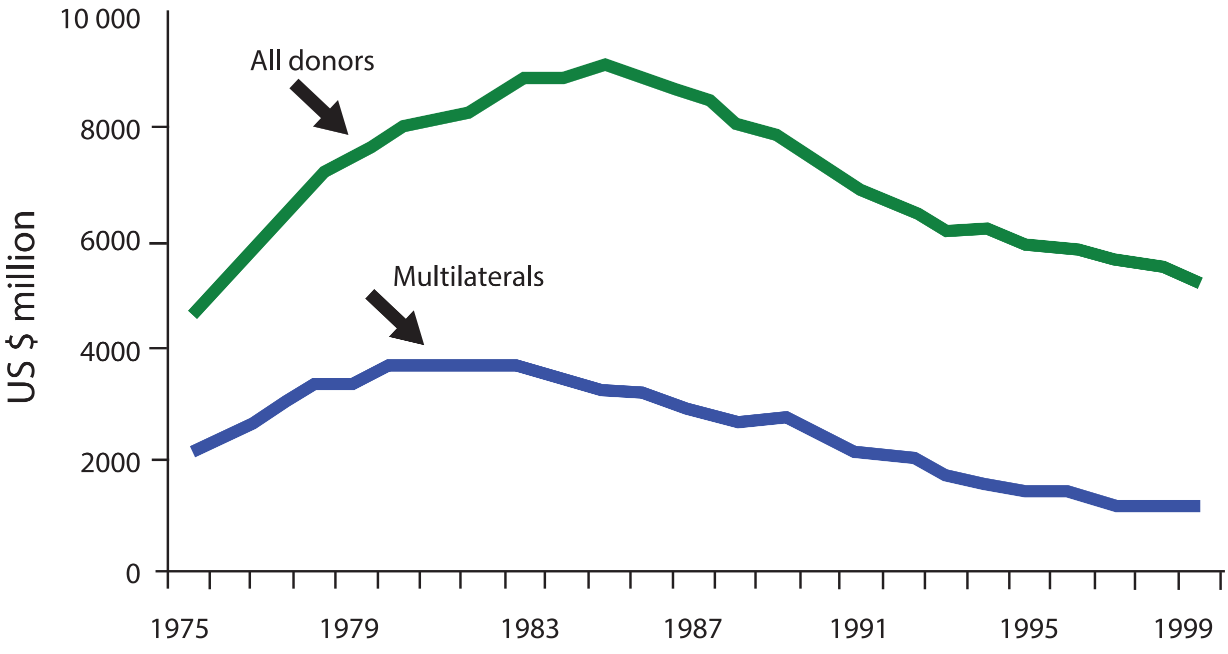
4. Aid to Agriculture: trends and challenges

4.1. Decline in donor's support

Despite official development aid (ODA) being recognized as a crucial instrument for supporting agriculture and rural development, and for enhancing food security, the share of agriculture in official development assistance (ODA) declined sharply from a high of 18 percent in 1979 to a low of 3.5 percent in 2004, which equated to more than a 50 percent decline in the value of support[26]. Since the mid 1980s, bilateral aid to agriculture has halved, to $3.8 billion in 2007[27] .This was a steeper decline than the decline in developing country governments' own commitments to agriculture, which were on average double the share of total donor commitments, although with significant differences across regions. The share of IDA/IBRD lending to agriculture declined from 30 percent in 1980–1982, to 7 percent in 1999–2001, then increased to 12 percent in FY2006–2008[28] .

A major drag on Africa's development is the underperformance of the agriculture sector. This is a critical sector in

Aid to Agriculture in Developing Countries (1975-1999)

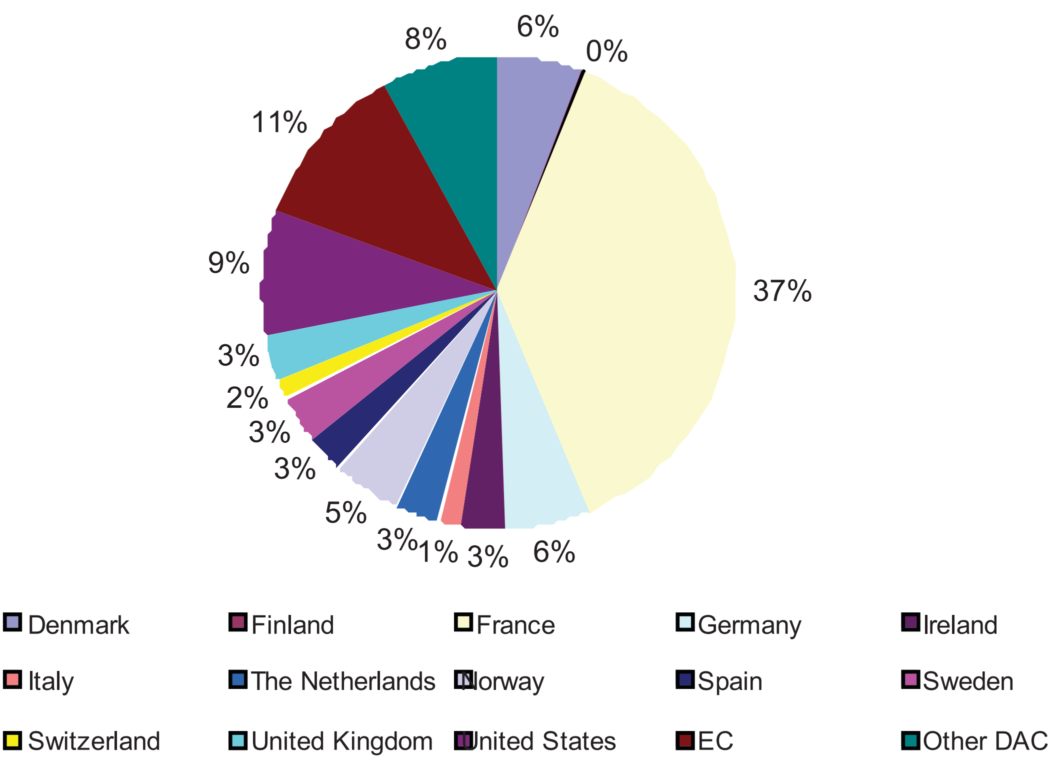


Source: Eicher 2003.More Aid to African Agriculture[29]

Table 2: Shares of total government spending by major sectors, 1980 - 2002									
Sector	**Agriculture**			**Education**			**Health**		
	1980	**1990**	**2002**	**1980**	**1990**	**2002**	**1980**	**1990**	**2002**
Africa	6.4	5.2	4.5	12.3	14.6	14.0	3.8	4.6	8.3
Asia	14.8	12.2	8.6	13.7	17.3	15.2	5.3	4.3	4.4
L. America & Caribbean	8.0	2.0	2.5	10.0	7.7	14.1	5.9	6.1	7.6
Total	11.3	7.9	6.7	n/a	n/a	n/a	n/a	n/a	n/a

Source: Fan and Saurkar, 2002 [30]

Aid to Agriculture in SSA as Share of Total DAC Aid % by Donor Country (2007)



the Region, because it accounts for a large share of gross domestic product (GDP) and employment. The weak performance of the sector stems from a variety of constraints that are particular to agriculture in Africa and make its development a complex challenge. Poor governance and conflict in several of the countries further complicate matters. A assessed the development effectiveness of World Bank assistance in addressing constraints to agricultural development in Africa over the period of fiscal years 1991–2006 in a pilot for a wider assessment of the Bank's assistance to agriculture worldwide. Agriculture sector has been neglected by both governments and the donor community, including the World Bank. The Bank's strategy for agriculture has been increasingly subsumed within a broader rural focus, which has diminished its importance. Both arising from and contributing to this, the technical skills needed to support agricultural development adequately have also declined over time [31].

The World Bank's World Development Report 2008 in its report on agriculture, describes a complex of reasons to explain the decline of donor support to agriculture and rural development as due to:

- falling international commodity prices that made agriculture less profitable in developing countries;increased competition within ODA especially from social sectors;

- emergency responses to numerous crises;

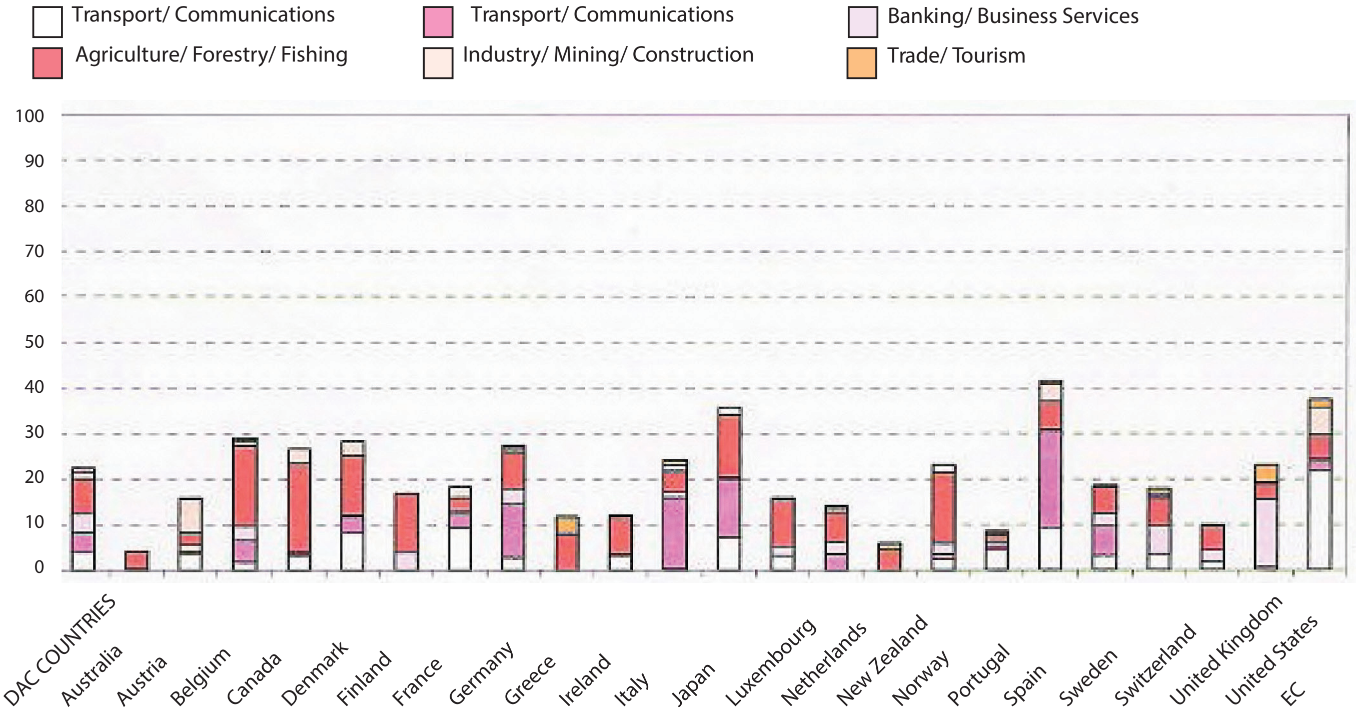
- opposition from farmers in some donor countries to supporting agriculture in their major export markets; and

- opposition from environmental groups that saw agriculture as a contributor to natural resource destruction and environmental pollution[32]

Regional agricultural R&D expenditure

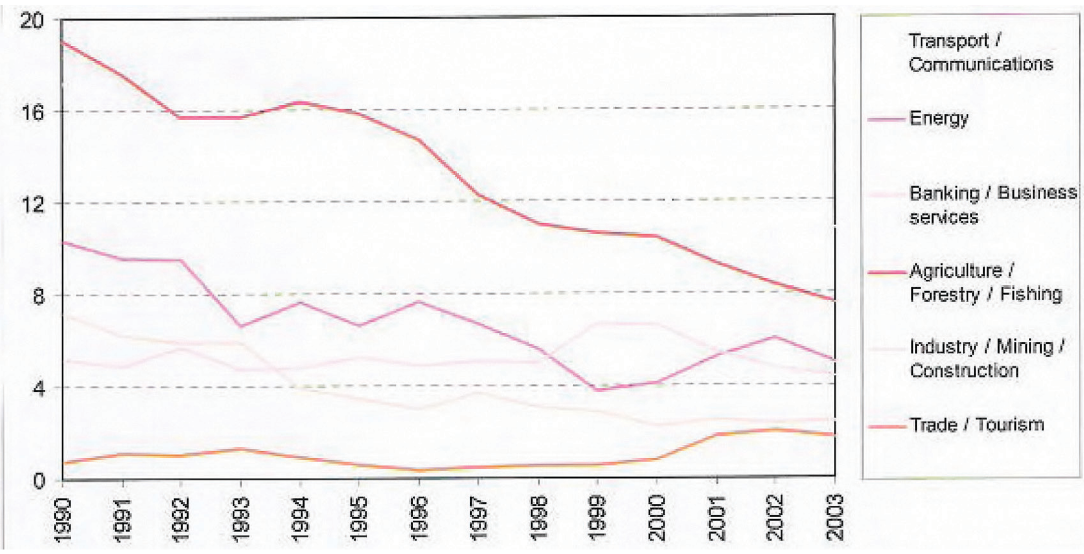
Pardey et al (2006) state that, of all types of agricultural expenditure, spending on agricultural research and development is the most crucial to growth in agriculture. However, they show that there has been no measurable growth in agricultural research intensity[2] in the developing world since 1981. In 2000, on average, developing countries spent 0.5 percent of agricultural GDP on R&D. In the same year developed countries as a group spent 2.4 percent of agricultural GDP on research; a sizable increase over the 1.4 percent that developed countries spent two decades earlier.

Analysis of economic and production sector ODA to Africa by donor as a percentage of total sector- allocable commitments for donor in 2004[33]



Source: Development Aid at a Glance – Statistics by region: Africa. OECD CRS (2007)

Analysis of economic and production sector ODA to Africa since 1990 as a percentage of total-sector- allocable ODA, 3- year average commitments



Source: Development Aid at a Glance – Statistics by region: Africa. OECD CRS (2007)

Other organisational problems compound the risks of aid inefficiency. First, the coexistence of multiple objectives and the rate of staff turnover in aid. Second, institutional pressure to commit and disburse aid funding is structurally strong, regardless of the quality of aid outcomes. Third, and lastly, the presence of multiple principals (i.e. donors) considerably increases transaction costs (including the cost of "poaching" human resources in beneficiary countries) and engenders formidable collective action problems[34] .

4.2. The aid commitments for agriculture

The African Union and the New Economic Partnership for African Development (NEPAD)[35] launched the Comprehensive Africa Agricultural Development Programme (CAADP) to drive agricultural growth and African politicians have committed to significantly increase the share of national budgets allocated to agriculture, in compliance with the 2003 Maputo Declaration, to at least 10 per cent. This contrasts with 4 per cent of GDP that was relatively constant in agriculture-based economies from 1980 to 2000[36] . In this framework an overall African Union vision on agriculture has emerged on what should be achieved by 2015. By that time the continent should have:

- improved the productivity of agriculture to attain an average annual production growth rate of 6 per cent, with particular attention to small-scale farmers, especially women;
- built dynamic agricultural markets within countries and between regions;
- integrated farmers into the market economy and have improved access to markets to become a net exporter of agricultural products taking into account Africa's comparative and competitive advantage;
- achieved a more equitable distribution of wealth as a result of rising real incomes and relative wealth for rural populations through more equitable access to land, physical and financial resources, and the knowledge, information and technology for sustainable development;
- become a strategic player in agricultural science and technology development to meet growing needs and demands of African agricultural development; and should be practicing environmentally sound production methods and have a culture of sustainable management of the natural resource base through increased knowledge, information and technology application.

4.3. Private-sector development and partnership

Harnessing private investment towards the achievement of the MDGs has been recognized as critical by the UN Secretary-General's Global Compact Initiative launched in 2000. The GDPRD also insists on 'the central role of private actors as the main driving force for growth in the agricultural sector'. USAID/Global Development Alliance's[37] (GDA)'s mandate is 'to engage private partners strategically in supporting US government development and foreign policy priorities'. GDA stresses that private sector input to increase rural infrastructure and trade related capacities for improved access is central to its mission. In 2007, USAID announced several infrastructural initiatives, including the implementation of the $7.7 million, five-year West Africa Seed Alliance (WASA), the goals of which include establishing a commercial seed industry that ensures an affordable seed supply for small-scale farmers and creating $50 million in farm revenues for local economies seeking export markets. The project will be carried out in conjunction with private-sector firms like Monsanto and philanthropic foundations such as the Bill and Melinda Gates Foundation.

According to the UNDP[38] economic growth: 'has lifted hundreds of millions of people out of subsistence agriculture into manufacturing and service employment, thanks to a fundamental ingredient which is private sector development'. The public-private partnership model is an integral part of the UN Millennium Project[39] , and partnerships play a central role in its proposal 'Investing in Development'. The Millennium Project argues that: "Any national strategy to achieve the MDGs needs to include a clear framework for private sector growth, because private companies contribute to poverty reduction through many channels... Such growth is unlikely without the direct participation of foreign companies or multinational corporations; be it manufacturing or financial enterprises or others... A public-private partnership can combine the respective strength of the private and public sectors"[40] .

4.4. Agricultural taxation in developing countries[41]

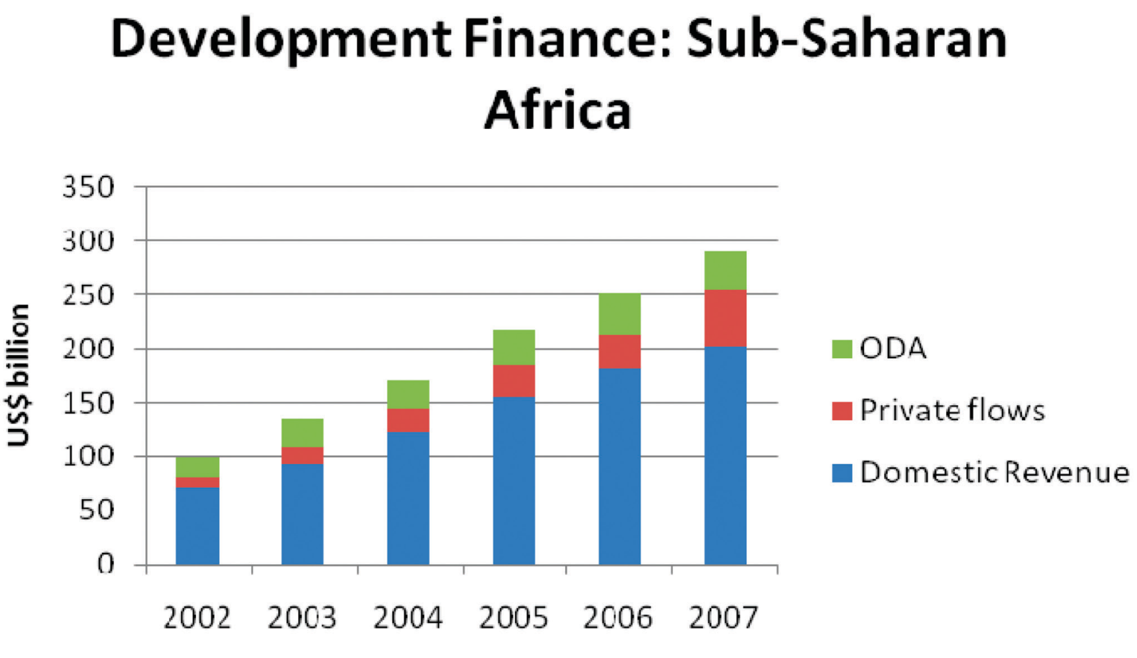
Policies in developing countries have also blunted the incentives for agricultural producers. Macroeconomic policies historically taxed agriculture more than agricultural policies did, but both were important in poorer countries. In a World Bank study that included 16 of today's developing countrie from the 1960s to mid-1980s, average direct taxation was estimated at 12 percent of agricultural producer prices and indirect taxes at 24 percent. High taxation of agriculture was associated with low growth in agriculture — and slower growth in the economy[42] . The poorest developing countries taxed agriculture the most, and reinvestments of tax revenues in agriculture were low and inefficient. With reforms in the 1980s and 1990s to restore macroeconomic balance, improve resource allocation, and regain growth in many of the poorest countries, both direct and indirect taxes were reduced. The reform of overvalued currencies, which taxed agricultural exports (usually exported at the official rate) and subsidized food imports, is reflected in the huge reduction in the parallel market premiums for foreign currency in developing countries. For 59 developing countries, the trade-weighted average premium fell from more than 140 percent in the 1960s to approximately 80 percent in the 1970s and 1980s and to just 9 percent in the early 1990s, with wide variation across countries.[43] Reforms in agriculture-based countries, particularly in Sub-Saharan Africa, more than halved the average net taxation of agriculture from 28 percent to 10 percent between 1980–84 and 2000–04. The approach used to measure the change in net taxation in developing countries is through calculation of a nominal. Despite macroeconomic adjustment, real domestic prices for agricultural exports across these countries did not change much on average over the 1980s as the macroeconomic improvements barely offset the declines in world commodity prices. The situation changed during the 1990s—more favorable world commodity prices, continued macroeconomic reforms, and agricultural sector reforms led to larger increases in real domestic prices of agricultural exports[44]
The stronger price incentives explain part of the higher agricultural growth in many of the agriculture-based countries since the mid-1990s.
The aggregate nominal rates of assistance mask significant differences in taxation and protection between agricultural imports and exports and among products. An average nominal rate of assistance close to zero at the country level simply indicates no net taxation, but it could be the result of large import tariffs offsetting large export taxes.
On average between 1980–84 and 2000–04, agriculture-based countries lowered protection of agricultural importables, from a 14 percent tariff equivalent to 10 percent, and there has been a significant reduction in taxation of exportables, from 46 percent to 19 percent .Most of the decline in taxation is the result of improved macroeconomic policies. For the agriculture-based countries, tobacco, groundnuts, and cocoa were still heavily taxed over 2000–04. The net taxation of coffee declined from 53 percent to 7 percent, and for cotton it declined from 32 percent to 15 percent over the two periods. Sugar shifted from being heavily taxed (nominal rate of assistance of –36 percent in 1980–84) to being heavily protected (76 percent in 2000–04).

5. New challenges: Innovative approaches to funding

5.1. Domestic resource mobilization for development

The current economic crisis highlights the problems associated with overreliance on external financial resources and makes domestic resource mobilization even more relevant. Moreover, before the crisis, improvements in governance and macroeconomic policies in Africa had attracted a diversified range of external flows, including FDI, portfolio investments, remittances and trade credit, which contributed to the relatively high rates of growth recorded over the last ten years. The current climate of economic uncertainty threatens these positive developments as sentiment towards investment changes.
Portfolio investments have already declined from about $16 billion in 2007 to $6 billion by November 2008[45] as a result of the tightening of global liquidity. The same trend has been observed with respect to remittances given that most Western economies hosting large diasporas are in recession.

Sub-Saharan Africa has experienced relatively strong growth rates in the past few years; GDP per capita has now been increasing for eight consecutive years (3.4 per cent growth in 2007)46 , although from



Source: OECD 2007, Financing Development: Aid and Beyond (2007)

very low initial levels. This represents a welcome break from two decades of economic stagnation in the region. Nonetheless, the current rates of growth are insufficient for the region to meet the Millennium Development Goals. Indeed, it has been estimated that, if African countries are to meet the first MDG of halving poverty by 2015, they need to reach annual growth rates of around 7 per cent for a relatively long period of time, which is more than the average growth rate of about 6 per cent reached in 2007. Additionally, much of the recent strong performance in Africa has been due to the high prices attained by commodities in the world market. This performance is narrowly based with little impact on employment creation and it remains highly vulnerable to external shocks. Commodity price drops in 2008 and the current economic crisis may signal the beginning of the end of Africa's high rates of growth. To sustain or even increase the current rates of growth, African countries need to increase their investment rates. Indeed, the rate of fixed capital formation in sub-Saharan Africa was only 19.8 per cent in 2006 which is almost half the rate of the East Asia and Pacific region (37.2 per cent) and far below the 34 per cent rate that the United Nations Economic Commission for Africa (UNECA) estimates would enable these countries to meet the first MDG of halving poverty by 2015[47]. The low rates of investment are due in part to the difficulties of the investment climate in many African countries despite some recent improvements.

They also reflect the low levels of domestic savings, 20.1 per cent of GDP in 2006, the lowest of any region. Increasing the resources that are available to finance investments and improving the productivity of these investments are therefore essential for African countries to achieve faster, and possibly more inclusive, growth.

A focus on domestic resources to meet the medium- to long-term development needs of African countries is justified for a number of reasons. Firstly, enhancing the role of domestic resources in the development of African countries reduces their dependence on external capital inflows such as official development assistance (ODA), foreign borrowing and foreign direct investment. By reducing the dependence on these inflows and their associated conditionalities, domestic resources allow African countries more policy space and hence more control of their development process.

5.1. Need to strengthen the financial sector in Africa

A well functioning financial sector is a precondition for any development strategy based on the enhanced mobilization and productive use of domestic resources. The financial sector in most African countries is shallow and fragmented. A small, mainly urban, formal financial sector primarily dedicates itself to meeting the financial needs of the government, large firms and a small number of urban-based elites. As a result, the lending portfolios of financial institutions are often very poorly diversified. In Sierra Leone for example, government borrowing accounts for 80 per cent of domestic credit[48]. At the other end of the spectrum, a large informal financial sector provides some financial services to the poor and rural-based population, as well as some small enterprises. This fragmentation arises in large part because of the way financial service providers deal with risk.

Faced with high systemic risks and little borrower information, informal financial agents rely on small and repeated transactions within a community setting. At the other end of the market, formal financial institutions, which often have poor risk management capabilities, hold levels of liquidity far above what is required by prudential regulation and lend mainly to large corporations and well known borrowers. It should be acknowledged, however, that the resistance of formal financial institutions to lend could be justified by the high degree of risk prevailing in African markets. And even when financial resources are available, they are not fully channeled to productive investment due to the lack of low risk, profitable investment projects. The resources mobilized in the informal financial sector are not made available for further investment. In the formal financial sector, the investment record is poor due to adverse loan selection based on risk aversion rather than expected profitability. Furthermore, there is often a gap in financial services for small and medium-size enterprises (SMEs)[49]

. The main reason is that their financial needs are too large or too complex for informal economic agents to handle but the lack of sufficient collateral or credit history implies that SMEs cannot access formal financial services either. Cost also plays a role in explaining the segmentation of the financial services market in many African countries. Poor infrastructure coverage and low population densities over large land areas have until recently made the provision of formal financial services outside main cities very expensive. As a result, formal financial service provision is poor outside urban areas, although this is beginning to change in a few countries with the advent of telephone banking and other initiatives using new communications technology.

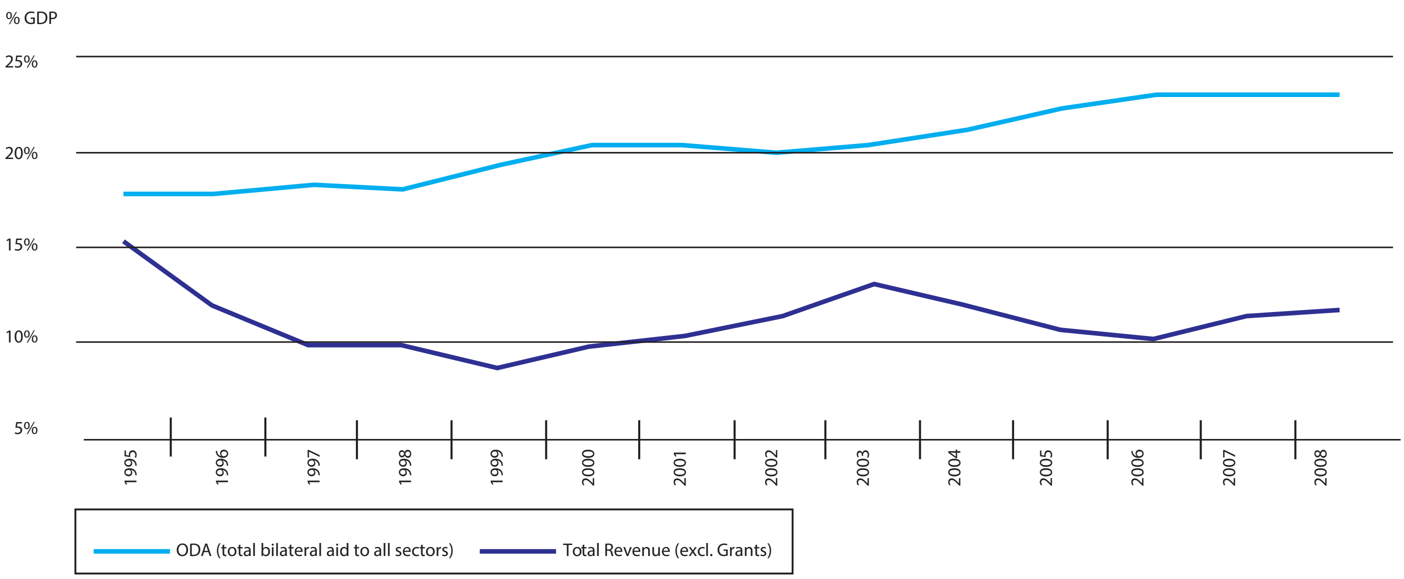
Public revenue collection[50]

Taxation is central to the current economic development agenda. It provides a stable flow of revenue to finance development priorities, such as strengthening physical infrastructure. provision of essential public goods such as education and health services, infrastructure development and maintenance, law and order, and efficient public administration.

Tax revenue ultimately depends on three distinct factors: tax policy – specifying what should be taxed and at what rate; the economic structure – indicative of what can be taxed; and tax administration – the actual enforcement of tax laws. A core challenge for African countries is finding the optimal balance between a tax regime that is business and investment friendly, and one which can leverage enough revenue for public service delivery to enhance the attractiveness of the economy. However, most African countries collect only a fraction of potentially available taxes. Collected taxes in Africa increased from 22% of GDP in 1990 to 27% in 2007. The Figure below illustrates this trend, as well as the growing wedge between fiscal revenues and ODA. However, a closer inspection of the increase reveals that it has been primarily driven by resource-related tax revenues in oil-producing countries. The performance of other types of taxes has been much more modest. Non-resource-related revenue has increased by less than 1% of GDP over 25 years[51] .

Revenue from trade taxes has been declining since the late 1990s but this has been largely offset by indirect

ODA and fiscal revenues as a share of GDP



Source: Author's calculations based on OECD - DAC and AEO country surveys, 2010 and corporate taxes, and resource-related tax revenues. Income taxes (mainly personal and non- resource corporate) have stagnated over the period. The average growth in tax revenue of African countries in the last two decades also hides significant differences in the performance of individual countries. There is a strong dichotomy between oil-producers and oil-importers, both in terms of collected taxes and the structure of the tax mix. The ability of governments to generate tax revenue from oil can distract them from more politically demanding forms of taxation such as corporate income taxes on other industries, personal income taxes, value added tax (VAT) and excise taxes compared to countries with similar level of tax administrative capacity.

5.2. Current challenges for tax policy in Africa

Raising public revenue in African countries tends to be constrained by a particularly narrow tax base. Generally, a small number of people and businesses account for a significant proportion of tax revenue. This situation has often become more acute in recent years due to the fall in international trade taxes resulting from trade liberalization. These taxes had historically been the principal source of tax revenue in many African countries and remain so in countries such as in Sierra Leone where they account for 40 percent of total revenues[52] Their value, however, is likely to be reduced in coming years in view of the continuing efforts at trade liberalization. It is therefore crucial for African countries to seek to widen the tax base to increase overall tax receipts and to reduce the sometimes excessive burden currently imposed on a small number of large contributors. Efforts to augment tax revenues without widening the tax base, that is simply by levying higher taxes on existing taxpayers, is likely to have a negative effect on private savings. This occurred in Benin when a series of new taxes were introduced in the 1990s. These taxes were successful in raising the government revenue but only at the expense of private savings. They did not, therefore, have a positive impact on total domestic resource mobilization. The large size of the informal sector in the economy is the main factor restricting the tax base in most African countries. Enticing more businesses to join the formal sector is therefore a crucial part of the strategy to increase government revenue. By adopting a proactive stance towards SMEs, governments in African countries can entice more firms to enter the formal sector. Similarly, tax collection will best be improved by visibly enhancing its equity and the good use of collected resources rather than simply by increasing the tax burden. Encouraging firms in the informal sector to join the formal sector will mean lowering entry costs and increasing the advantages that formalization confers. Studies consistently show that many African countries, especially in sub-Saharan Africa, have high entry costs into the formal sector. Barriers include the exorbitant cost of obtaining a license or hiring staff that act as powerful disincentives for firms to join the formal sector. Facilitating the registration of firms and providing useful services such as training, improved access to credit, participation in business forums or assistance with import and export procedures, can help to induce firms to enter the formal sector voluntarily. One innovative way to improve the public's perception of the tax system is a taxpayers' charter as recently introduced in Zambia[53] . It is the product of consultations between the tax authorities, taxpayers and civil society and sets out mutual commitments from both the tax authorities and taxpayers. Such initiatives can help create a climate of trust and accountability between tax collectors and taxpayers and improve tax collection.
The use of tax revenue will ultimately have a decisive effect on the efficacy of tax collection. Efficient public expenditure management that is seen to respond to the needs of the people is an essential part of reinforcing the legitimacy of the state. If taxes are perceived to be widely misappropriated, wasted on low priority areas, supporting corrupt officials or a widely discredited state, this will drastically lower the incentive of taxpayers to comply fully with their fiscal obligations. On the other hand, recent research from Tanzania reveals that a large majority of people were willing to pay more taxes if the resources were clearly going towards improving basic public service provision in their area.

After a period of flat growth between the early 1990s and early

2000s, total government revenue as a share of GDP has steadily increased in most African countries.
Domestic revenue — defined as tax and non-tax public revenues excluding grants — increased by almost four percentage points of GDP between 2002 and 2007, reaching an average of over 25% in 2007 for the whole of sub-Saharan Africa. Excluding Nigeria and South Africa, government revenue as a share of GDP rose even more in the continent, increasing from an average of 18.8% for 1997-2002 to 25.4% in 2007[54] .

However, a significant share of the increase in tax revenue in the region came from natural resource taxes. This included income from production sharing, royalties, and corporate income tax on oil and mining companies. Non-resource related revenue increased by less than 1% of GDP over 25 years[55] .This becomes even more concerning when one considers the impact the crisis has had on the continent, with economic growth in Africa expected to be only 2.8% in 2009, less than half of the 5.7% estimated for 2008 (Figure below), and an important drop of export revenues, as well as a slowdown of investment in oil and mineral production[56] . Overall, when compared to the 36% of tax-to-GDP ratio of the OECD countries (2006 un-weighted average)[57] , it is evident that African governments suffer from a large revenue gap.

On average, Africa collects USD 441 of taxes per person per year while it receives USD 41 of aid per person per year. In other words, aid represents less than 10% of collected taxes on the continent as a whole. Of course, the average does not apply to all countries. Of the 48 African countries for which data is available, aid exceeds tax revenues in twelve countries, is larger or equal to half the tax revenues in 24 countries, and exceeds 10% of tax revenues in 34 countries[58] . And yet, in nearly one third of African countries (14 out of 48), aid already represents less than 10% of taxes. Many of those are relatively resource-abundant and/ or small in terms of their population (Algeria, Angola, Congo, Equatorial Guinea, Gabon, Libya, Namibia and Swaziland).

5.3. Review tax exemptions

Tax and duty exemptions can deprive countries of significant amounts of resources. Although tax concessions can be justified in some cases, many African countries could benefit from a thorough review of the concessions they have granted and the costs and benefits that these generate. In some cases, tax and duty concessions were negotiated from positions of weakness particularly in countries such as Burundi and Sierra Leone that are at their early stage of post-conflict reconstruction following devastating civil wars. The grounds for awarding such exemptions must always be carefully examined. In many cases it has been found that awarding fiscal holidays to foreign firms represented a negligible factor in the decision to invest. Additionally, such tax exemptions are wasteful, difficult to administer and contain many loopholes that are easily exploited. They can also be difficult to renegotiate once they have been awarded Alternative incentives should also be considered. A system of accelerated depreciation and capital allowances that targets capital investment could, for example, act as both a perk to investors and an incentive for them to invest in physical capital in the economy. This type of concession also has the advantage of being limited in time and easier to administer by the tax authorities. If combined with an income tax system that provides for moderate rates of corporate tax applied to both domestic and foreign companies to ensure a level playing field, accelerated depreciation and capital allowances could be a more effective means of attracting investments. Signing double taxation treaties with the home countries of foreign investors may also serve as an incentive for these investors to undertake investments they would otherwise not have made without tax incentives. In addition to widening the tax base, improving the effectiveness of tax collection is an essential and related task that is necessary to truly improve public revenue collection. Indeed, it is not enough to widen the tax net if this is not accompanied by improved enforcement of collection, including enacting rules on tax avoidance, transfer pricing, etc. It is estimated that some countries could double their tax revenue by improving tax collection alone.
Furthermore, well and fairly enforced tax collection strengthens

the tax system by giving it added legitimacy. The low capacity of tax authorities has a negative impact on savings and investment in many African countries.

In Sierra Leone, for example, tax authorities' lack of capacity leads them to tax firms on the basis of their physical assets rather than their revenue, which acts as a disincentive to capital investment. Improving the capacity of tax collection agencies in terms of efficiency and monitoring will help them to carry out their mandate effectively. This will directly increase the amounts collected but also serve as a disincentive for tax evasion as the risks of being caught increase.

6. Direct investment inflows - FDI

Leading up to the financial crisis FDI inflows to Africa had been rising strongly since 2002, reaching USD 88 billion over 2008, a 27% increase on 2007 and their highest historical level. Behind the rise in FDI up to 2008 lay the surge prices for raw materials, particularly oil, which triggered a boom in commodity-related investment. The crisis lowered demand for Africa's commodities, which has reduced capital investment in those sectors and countries where most foreign investment has historically been concentrated[59] . Preliminary estimates for 2009 indicate a sharp fall in FDI to Africa of 36% (echoing an overall fall in FDI to developing economies by 34% over the same period). As FDI is a major source of investment in Africa, such a precipitous drop affected Africa's overall investment levels much more than other developing regions. In 2008, sub-Saharan Africa received USD 63.6 billion in FDI. Africa's share of global FDI flows registered a significant increase to 5.2% of global FDI (up from 2.9% in 2007). As a percentage of gross fixed capital formation, FDI inflows rose to 29%. Top FDI destinations for 2008 were Nigeria (USD 20.3 billion), Angola (USD 15.5 billion), Egypt (USD 9.5 billion) and South Africa (USD 9 billion), followed by Libya, Tunisia, Algeria, Democratic Republic of Congo (DRC) and Sudan[60] . As ever, the most attractive countries for investment tend to hold significant natural resource endowments, active privatisation programmes, liberalised FDI policies and vigorous investment promotion activities. FDI levels and prospects still vary widely by region, sector and country. I Nearly 80% of total West African investment came through the oil industry, mostly reflecting industry expansion projects[61] . Central African inflows remained stable at USD 6 billion, with DRC the leading destination with USD 2.6 billion. East Africa also remained stable at USD 4 billion, and is still the lowest recipient of FDI on the continent. In southern Africa, Angola attracted USD 15.5 billion in 2008, an increase of over 50% from the previous year. South Africa, the continent's most diversified economy, also registered strong growth in inflows. Preliminary estimates for 2009, however, indicate a drop of 25%. South Africa's stock of FDI at work in the country remains the highest on the continent by far at USD 119 billion, nearly a quarter of total FDI stock in Africa (standing at USD 510.5 billion at the end of 2008). FDI has grown into a major source of capital in the region thanks to African governments' significant efforts. Attracting FDI has required governments' commitment to improving institutional frameworks and can serve to increase competition and provide technological spillovers. As such, FDI can incentivise improved business environments in African countries. Nevertheless, while FDI inflows are important as a stable and long-term source of capital to promote industry and commerce, the majority of FDI to Africa remains targeted to extractive industries in a relatively limited group of countries. Thus, the broader developmental impact of FDI- backed projects is often limited. Attracting FDI into diversified and higher value-added sectors remains the ongoing challenge for Africa's economies. While still restricted to certain emitting countries (notably South Africa and Nigeria), African transnational companies (TNC) are growing to become major investors, even though intra-African FDI still only accounts for a small portion of total foreign investment. The level of FDI from Africa to small African economies may well be understated in official FDI data, as a significant proportion of such investment goes to the informal sector, which is not included in government statistics. South Africa remains the single most important African source of intra-regional FDI for the continent. Destinations for intra-African investment are mainly geographically close to the source country. That means mostly southern Africa, with Botswana, Madagascar, Malawi and Mozambique benefiting from their proximity to South Africa. West African banks have also been fast expanding their operations throughout Africa. Large, pan-African financial institutions taking advantage of the region's increasingly open financial markets improve the cross-country flow of capital and investment. Ecobank, based in Togo, operated in 33 countries in Africa in 2009. The Nigerian banking sector particularly has been expanding quickly, becoming a major player in African finance and turning Nigeria into a source of outbound FDI. These African banks improve financial provision in Africa's economies and increase access to credit and savings. Pan-African financial networks also facilitate payment throughout the continent. Nigerian banks have operated through M&A, which have been the common mode of foreign investment in Africa by African firms. According to the latest estimates, from 2005-08, 28% of the total M&A deals made in Africa were made by African firms, accounting for 21% of total value over the period. Intra-African investment is highest in the services and manufacturing sectors, while investment from outside Africa is concentrated in the primary sector (often requiring large-scale capital- and technology-intensive investments[62]). Most intra-African investment deals are thus in less technology-intensive consumer product sectors. Extra-African FDI, on the other hand, tends to be invested in large, capital- intensive projects. South Africa has been a net capital exporter to Africa since 2005. In 2007 it accounted for about 70% of total intra-African flows. Outward FDI flows from emerging countries have been increasing very strongly for the past decade, rising to a total stock of USD 4 trillion in 2007. A share of these FDI flows is finding its way to Africa. China, India and Asian countries now figure as important sources of capital for Africa's economies. At the end of 2007, Africa had cumulated 4% of total Chinese outward FDI (Asia accounting for 67% -- though this figure is distorted by the use of tax havens[63]). Countries have attempted to develop Special Economic Zones (SEZs) to boost national production, with varied results. China, notably, has actively promoted the creation of five African Economic Co-operation Zones. Such zones in Zambia and Mauritius are formalised, while three others remained to be determined in early 2010.

6.1 Remittances as an important inflow of resources

Remittances from migrant workers have increased considerably in recent years and now constitute the second largest external capital inflow to developing countries. Global remittance flows to developing countries were worth $193 billion in 2005 while FDI flows totalled $281 billion[64] . In Africa, remittances are increasingly being seen as important resources for development even though recorded inflows remain smaller than ODA or FDI. Estimates suggest that remittances to Africa were around $40 billion in 2006, mostly to North African countries. Recorded remittance transfers to sub-Saharan Africa amounted to $9.25 billion in 2006, though actual transfers are estimated to be at least twice as large. Indeed, it is estimated that over half of remittance transfers to sub-Saharan Africa are unrecorded. Estimates suggest that in sub-Saharan Africa actual remittances represent about 5 per cent of GDP, or 27 per cent of export receipts. In some individual countries, however, they make up more than a third of GDP (Cape Verde and Eritrea) and, in others, one fifth of GDP (Lesotho and Liberia)[65] . Additionally, remittances are a more stable resource inflow than either ODA or FDI. They have no associated conditionalities and they reach their beneficiaries directly thereby reducing poverty, notably by allowing recipient households to pay for school fees or health services, which boosts aggregate demand and production.

The potential development impact of remittances is not fully realized. The reasons include high transaction costs both in the official and in the informal channels and the lack of appropriate financial services for transfers in recipient countries. Notably, the costs of transfers have remained very high because of regulatory restrictions and prevalence of monopolies (banks and few money transfer operators) enjoying exclusivity deals with banks. As a result, remittances are being transferred largely outside of the formal financial system.

6.2 The air ticket solidarity levy

After 13 different countries expressed their interest in introducing this tax at the Paris conference held in March 2006, France was the first country of the Leading Group to implement it (July 2006), followed by ten other countries. The air ticket solidarity levy is charged to passengers taking off from airports in the countries implementing the scheme. The contributions levied at national level are then co-ordinated internationally for allocation, for the most part, to the UNITAID international purchasing facility. The rate of the levy can be differentiated according to the level of development of participating countries and there is an additional option that enables to link the amount of the levy to the flight distance and/or the travel class. Rates can also be differentiated between domestic and international flights. In Niger, for instance, the amount of the levy for economy tickets is $1.20 for regional flights (within West Africa), and $4.70 for international flights. In the case of business/ first class tickets, the levy is $6 for regional flights, $24 for international flights[66] . France is the main promoter of the airline ticket solidarity levy. All passengers taking off from French airports and travelling economy are charged 1 for European flights, 4 for international flights. The amount is ten times higher for business/first class tickets (10 for regional, 40 for international). The fee has enabled France for example to generate an extra 160 million in conventional aid in 2009, of which 90% were dedicated to UNITAID international purchasing facility. The implementation of the levy did not raise any major practical or legal difficulty. It is paid by passengers when buying their tickets as an additional fee to airport taxes. Airline companies are responsible for collecting the contribution which is added to the fees and charges already part of the plane ticket final price. Collecting costs are minimal. International air transport is regulated by the Chicago Convention as well as bilateral treaties and agreements. None of those treaties prohibits the creation of a flat contribution on air tickets, whether on domestic or international flights. European regulations and WTO agreements also allow for such a flat contribution given that it is non discriminatory. The mechanism is based on territoriality, not nationality. All airline companies, whatever their nationality, have to levy the contribution if departing from an airport located in a participating country.

Review of Innovative financing instruments:

Air ticket levy. UNITAID is a drug purchasing facility aimed at combating the major pandemic diseases affecting the developing world. UNITAID buys the necessary drugs and diagnostics and negotiates significant reductions in the prices of pharmaceutical firms. Almost half of the available funding comes from a solidarity contribution levied on air tickets. This is already applied in 11 countries and it has enabled France for example to generate an extra EUR 160 million in conventional aid.

International Financing Facility. The International Finance Facility for Immunisation (IFFIm) exists to rapidly accelerate the availability and predictability of funds for immunisation. The funds raised by IFFIm are used by the GAVI Alliance, a public-private partnership which aims to reduce the number of vaccinepreventable deaths and illness among children under five. So far IFFIm has raised more than USD3 billion for the GAVI Alliance's immunisation programmes. IFFIm's financial base consists of legally binding grants from its sovereign sponsors. By signing the grant agreements, these countries have agreed to pay these obligations in a specified schedule of payments over 20 years.

Advance Market Commitments (AMCs) for vaccines aim to encourage the development and production of affordable vaccines tailored to the needs of developing countries. Through a forward-looking binding contract from donors and international agencies guaranteeing a viable market for target vaccines, AMCs encourage vaccine makers to develop or build manufacturing capacity for urgently needed vaccines. The binding contract guarantees a pre-agreed price for the first doses of vaccines sold to developing countries, so that companies can re-coup their investment costs. In exchange, participating companies must guarantee to supply vaccines for the long term at a pre-agreed sustainably low price that developing countries can afford. In the AMC pneumococcal pilot, the governments of Italy, the United Kingdom, Canada, Russia, and Norway and the Bill & Melinda Gates Foundation have committed USD1.5 billion, with GAVI promising to allocate USD1.3 billion through 2015. In March 2010, GlaxoSmithKline (GSK) and Pfizer Inc. became the first two companies to make long-term commitments to supply new vaccines for the Pneumo AMC. The two participating firms committed to supply 30 million doses each per year for a 10 year period. These doses will be sold at USD3.50 each rather than at the current price in industrialised countries of USD70 per dose.

EU ETS Auction Revenues. Some Member States used the EU Emissions Trading System (EU ETS) auctioning revenues for development. According to Commission estimates, ETS auction revenues could reach EUR 50 billion annually by 2020. The total revenues Germany raised, for example, were EUR 528 million in 2009 and EUR 560 million in 2010, of which EUR 230 million were reported as ODA. The Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) coordinates its activities with the Federal Ministry for Economic Cooperation and Development (BMZ). BMZ's programmes are fully integrated with existing development cooperation..[2]

Depending on the mechanism, at most six Member States raised funds via innovative mechanisms in 2010. The use of the IFFIm was most common (France, Netherlands, Italy, Sweden, Spain and United Kingdom) , followed by AMC (United Kingdom and Italy) and Debt2Health (Germany only). Austria and Germany have introduced air ticket levies, but the funds raised are not earmarked for development cooperation. The United Kingdom also supports the Private Infrastructure Development Group (PIDG) governed by a donor council with members from 8 donors, and utilises innovative facilities to address market failures preventing private investment in infrastructure in developing countries. Social and environmental safeguards conform to World Bank standards. A new tax on international financial transactions (FTT or Tobin tax) is supported by several Member States. In a report released in April 2010, the IMF proposed instead a levy on the balance sheets of all financial institutions and a "financial activities tax" on pay and profits, rather than a tax on international transactions. The IMF concluded that "there may indeed be a case to supplement a levy of the kind described above with some other form of taxation, but an FTT does not appear well suited to the specific purposes set out in the mandate from G-20 leaders[3]." Some Member States such as Belgium, France and Spain support the introduction of an FTT at EU level or worldwide. The recent Commission Communication on "Taxation of the Financial Sector"[4] established a clear link between a number of key challenges for the EU (including "commitments towards developing countries and to combat climate change and global resource scarcity") and the "fair and substantial contribution" of the financial sector "to address the above challenges".

7. Extend financial sector coverage based on technology and innovation

In recent years, innovations in information and communication technologies (ICTs) have had an increasing impact on the delivery of financial services in Africa as well as in other developing regions. These new technologies have helped to increase the coverage of the financial sector by reducing the cost of the infrastructure needed to carry out financial transactions. The Equity Bank in Kenya[67] has for example developed a way of increasing its delivery of financial services in rural areas without incurring the large costs involved in setting up a branch network. Instead, the bank has invested in vans that serve as mobile branches, visiting areas on a frequent cycle. Each van is equipped with the hardware and communication capacity to provide a large array of financial services. The bank has also combined this extension of coverage with new savings products more adapted to the needs of poor and rural households in order to attract their custom. As a result, the bank grew from serving 100,000 depositors in 2001 to serving 375,000 in 2004. By mid-2003 two thirds of its loan portfolio comprised clients served through mobile banking[68] .In South Africa, some banks have improved their cash delivery service to remote areas by installing ATMs (automatic teller machines) or even small bank branches that are powered through solar electricity and rely on satellite communications. In many other African countries, such as the Democratic Republic of the Congo and Zambia, financial services are now offered over mobile phones[69] . Typically, this involves allowing customers who have a deposit account with a bank to make payments and transfers, as well as check their remaining balance via mobile phone. This technology allows depositors to access many financial services without needing to go to the bank branch. Additionally, it offers a valuable service to these customers by allowing them to make transactions without cash in countries where carrying cash can prove dangerous and where the use of debit and credit cards remains far from widespread. The experience of these and other developing countries demonstrates the important potential created by new technologies for the improvement of financial service provision in Africa. These examples also highlight that, for this potential to be realized, financial institutions need to find the will and the creativity to exploit this potential. Institutions should seek to design financial products that respond to the needs of poor and rural households or of small businesses in remote areas. The state can play an important supportive role for this type of financial innovation. For example, the central bank, as part of its programme to develop the financial sector, can disseminate information on a regular basis highlighting the possibilities offered by new technologies and the ways in which these have been exploited by other developing countries. It can also take a more proactive role in facilitating the implementation of financial innovation. The state can complement this, for example, by assisting in the provision of the necessary infrastructure for these new ventures either on a grant or on a joint venture basis. It is also important that the state ensures that the prudential regulations and other relevant legal frameworks facilitate the testing and implementation of innovative financial products. To this end, the regulatory bodies should seek to work closely with financial institutions to follow the progress of operations and be able to make rapid adjustments in regulations to fit the evolving situation.

Resources available online (English and French)

En italique les documents disponibles en français

Africa Infrastructure Country Diagnostic (AICD)

Closing Africa's Funding Gap http://www.infrastructureafrica.org/aicd/system/files/AIATT_65-86.pdf

Information and Communications Technology in Sub-Saharan Africa: A Sector Review
http://www.digitalebruecke.org/data/documents/information/AICD-ICT_in_Sub-Saharan_Africa.pdf

Financing Public Infrastructure in Sub-Saharan Africa: Patterns and Emerging Issues
http://www.infrastructureafrica.org/aicd/system/files/BP15_Fiscal_costs_summary.pdf

European Commission- EU

EU Accountability report on Financing for Development 2011
http://ec.europa.eu/europeaid/how/accountability/eu-annual-accountability-reports/documents/working-document-vol1_en.pdf

Enhancing EU Accountability on Financing for Development towards the EU Official Development Assistance Peer Review. 2011
http://ec.europa.eu/europeaid/how/accountability/eu-annual-accountability-reports/documents/eu-accountability-review-2011_en.pdf

Council Directive on a common system of financial transaction tax and amending Directive 2008/7/EC. 2011
http://ec.europa.eu/taxation_customs/resources/documents/taxation/other_taxes/financial_sector/com(2011)594_en.pdf

Directive du Conseil établissant un système commun de taxe sur les transactions financières et modifiant la directive 2008/7/CE. 2011
http://ec.europa.eu/taxation_customs/resources/documents/taxation/other_taxes/financial_sector/com(2011)594_fr.pdf

Commission Communication of 21 April 2010 to the European Parliament to the Council and the European Economic and Social Committee: Tax and Development Cooperating with Developing Countries on Promoting Good Governance in Tax Matters
http://ec.europa.eu/development/icenter/repository/COMM_COM_2010_0163_TAX_DEVELOPMENT_EN.PDF

Communication de la Commission, du 21 avril 2010, au Parlement européen au Conseil et au Comité économique et social européen : Fiscalité et développement Coopérer avec les pays en développement afin d'encourager la bonne gouvernance dans le domaine fiscal
http://ec.europa.eu/development/icenter/repository/COMM_COM_2010_0163_TAX_DEVELOPMENT_FR.PDF

Commission staff working document of 1 April 2010
http://ec.europa.eu/economy_finance/articles/international/documents/innovative_financing_global_level_ sec2010_409en.pdf

Commission staff working document of 21 April 2010: Financing for Development - Annual progress report 2010. Getting back on track to reach the EU 2015 target on ODA spending?
http://ec.europa.eu/development/icenter/repository/SEC_2010_0420_COM_2010_0159_EN.PDF

Commission Communication of 28 April 2010 to the European Parliament to the Council and the European Economic and Social Committee: Promoting Good Governance in Tax Matters
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2009:0201:FIN:EN:PDF

Communication de la Commission, du 21 avril 2010, au Parlement européen au Conseil et au Comité économique et social européen : Encourager la bonne gouvernance dans le domaine fiscal
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2009:0201:FIN:FR:PDF

FAO

OECD-FAO Agricultural Outlook 2010-2019
http://www.agri-outlook.org/pages/0,2987en_36774715_36775671_1_1_1_1_1,00.html

Perspectives agricoles de l'OCDE et de la FAO 2010-2019
http://www.agrioutlook.org/document/20/0,3343

,en_36774715_36775671_
45447124_1_1_1_1,00.html

The state of food and agriculture, 2009
http://www.fao.org/docrep /012/i0680e/i0680e.pdf

La situation mondiale de l'alimentation et de l'agriculture
http://www.fao.org/docrep /012/i0680f/i0680f.pdf

Agricultural Investment Funds for Developing Countries
http://www.ruralfinance.org/servlet/BinaryDownloaderServlet?filename=1258991529042_Microsoft_Word

Study_Agricultural_Inve1228195107.pdf

IFPRI

Halving Hunger: Meeting the First Millennium Development Goal through Business as Unusual
http://www.ifpri.org/sites/default/files/publications/pr22bw.pdf

Investing in agriculture to overcome the world food crisis and reduce poverty and hunger
http://www.ifpri.org/sites/default/files/publications/bp003.pdf

R&D investment in national and international agricultural research
http://www.ifpri.org/sites/default/files/publications/ifpridp00986.pdf

IIED

Making the most of agricultural investment: A survey of business models that provide opportunities for smallholders
http://www.iied.org/pubs/pdfs/12566IIED.pdf

Imperial College London

A preliminary analysis of European assistance to agriculture in Sub-Saharan Africa
http:// workspace.imperial.ac.uk/africanagriculturaldevelopment/Public/Preliminary%20Analysis%20of%20European%20Assistance%20to%20Agriculture%20in%20SSA%20FINAL.pdf

International Monetary Fund (IMF)

Regional Economic Outlook: Sub-Saharan Africa, 2009
http://www.imf.org/external/pubs/ft/reo/2009/afr/eng/sreo0409.pdf

Perspectives économiques régionales: Afrique subsaharienne, 2009
http://www.imf.org/external/french/pubs/ft/reo/2009/afr/sreo0409f.pdf

OECD

Position Paper: Taxation in Africa: The path to economic independence
http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/ Resources/TaxationPositionPaper%20(FINAL)%20(2).pdf

African Economic Outlook 2012
http://www.africaneconomicoutlook.org/fileadmin/uploads/PAGES-%20Pocket%20Edition%20AEO2012-EN.pdf

Perspectives économiques en Afrique 2012
http://www.africaneconomicoutlook.org/fileadmin/uploads/PAGES-%20Pocket%20Edition%20AEO2012-FR.pdf

African Economic Outlook 2010-Summary
http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/Resources/MS_ENG_AEO2010.pdf

Perspectives économiques en Afrique 2010-Résumé
http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/Resources/MS_FRA_AEO2010.pdf

Development Finance in Africa: From Monterrey to Doha, 2007
http://www.oecd.org/dataoecd/63/17/41656352.pdf

OECD-FAO Agricultural Outlook 2010-2019
http://www.agri-outlook.org/pages/0,,en_36774715_36775671_1_1_1_1_1,00.html

Perspectives agricoles de l'OCDE et de la FAO 2010-2019
http://www.agrioutlook.org/document/20/0,3343,en_36774715_36775671_45447124_1_1_1_1,00.html

Oxfam

Information: Let countries know what donors are doing
http://www.oxfamamerica.org/files/information-let-countries-know-what-donors-are-doing.pdf

UK Food Group

More Aid for African Agriculture: policy implications for small-scale

farmers
http://www.ukfg.org.uk/docs/More_Aid_for_African_Agriculture_MAIN_REPORT.pdf

21st Century Aid. Recognising success and tackling failure, April 2010
http://www.oxfam.org.uk/resources/policy/debt_aid/downloads/bp137_21st_century_aid_en_200510.pdf

UN

Aid and Growth-Have We Come Full Circle? 2009
http://www.ony.unu.edu/Aid%20and%20Growth.pdf

World Investment Report-Transnational Corporations, Agricultural Production and Development 2009
http://www.unctad.org/Templates/webflyer.asp?docid=11904&intItemID=5037&lang=1&mode=downloads

The Monterrey consensus and development finance in Africa: an overview
http://www.uneca.org/eca_resources/news/2008/docs/Monterrey_Consensus_and_Development_Financ e_in_Africa.pdf

World Bank

World Bank. Innovative financing for development / Suhas Ketkar and Dilip Ratha (editors). 2009
http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1110315015165/[e-book]Innovative_Financing_for_Development.pdf?resourceurlname=%5Be-book%5DInnovative_Financing_for_Development.pdf

Africa's pulse- An analysis of trends shaping Africa's economic future, the World Bank, 2010
https://www.businessgrowthinitiative.org/SiteCollectionDocuments/Africas%20Pulse.pdf

Awakening Africa's Sleeping giant: prospects for commercial Agriculture
http://siteresources.worldbank.org/EXTARD/Resources/336681231508336979/SleepingGiantFinal.pdf

World Development Report 2008-Agriculture for development
http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTWDRS/EXTWDR2008/0,, contentMDK:21410054~menuPK:3149676~pagePK:64167689~piPK:64167673~theSitePK:2795143,00.h tml

Rapport sur le développement dans le monde 2008: l'Agriculture au service du développement
http://siteresources.worldbank.org/INTWDR2008/Resources/2795087-1192111580172/FINAL_WDR-OV- French-text_9.25.07.pdf

World Bank Agriculture Action Plan 2010-2012
http://siteresources.worldbank.org/INTARD/Resources/Agriculture_Action_Plan_web.pdf

World Development Indicators 2010
http://data.worldbank.org/data-catalog/world-development-indicators/wdi-2010

Paying Taxes 2009 -The Global Picture
http://www.doingbusiness.org/features/taxes2009.aspx
http://francais.doingbusiness.org/features/taxes2009.aspx

Others resources

Are "New" Donors Different? Comparing the Allocation of Bilateral Aid between Non-DAC and DAC Donor Countries, 2010
http://s3.amazonaws.com/aiddata/Dreher_aiddata.pdf

Fixing Failed Foreign Aid: Can Agency Practices Improve?
http://s3.amazonaws.com/aiddata/Williamson_aiddata.pdf

Tax Policy in Sub-Saharan Africa. A survey of issues for a number of countries
http://www.center4taxation.org/index_bestanden/TP_SSA_final_extern.pdf

Websites

European Commission

European Commission-Directorate General Agriculture
http://ec.europa.eu/agriculture/index_en.htm

Commission Européenne -Direction Générale Agriculture et Développement Rural
http://ec.europa.eu/agriculture/index_fr.htm

European Commission-Directorate General Development
http://ec.europa.eu/development/index_en.cfm

European Commission-Directorate General EuropeAid
http://ec.europa.eu/europeaid/index_en.htm

Commission Européenne-Direction Général EuropeAid
http://ec.europa.eu/europeaid/index_fr.htm

European Commission-Directorate General External Relations
http://ec.europa.eu/external_relations/index.htm

Commission Européenne-Direction Général Relations Extérieures
http://ec.europa.eu/external_relations/index_fr.htm

European Commission-Humanitarian Aid
http://ec.europa.eu/echo/index_en.htm

Commission Européenne-Direction Général Aide Humanitaire et Protection Civile
http://ec.europa.eu/echo/index_fr.htm

Financing for Development
http://ec.europa.eu/development/how/monterrey_en.cfm

Taxation and Development
http://ec.europa.eu/development/how/taxation_development_en.cfm

International, ACP and Bilateral Organizations

Africa development Bank
http://www.afdb.org/en/

Banque Africaine de Développement
http://www.afdb.org/fr/

AICD-Africa Infrastructure Country Diagnostic
http://www.infrastructureafrica.org/aicd/

DFID -Department for International Development
http://www.dfid.gov.uk/

EIB-European Investment Bank
http://www.eib.org/

BEI-Banque Européenne d'Investissement
http://www.eib.org/?lang=fr

CGIAR-Consultative Group on International Agriculture Reserach
http://www.cgiar.org/

CGIAR-Groupe Consultatif pour la Recherche Agricole Internationale
http://www.cgiar.org/languages/lang-french.html

FAO- The Food and Agriculture Organization of the United Nations
http://www.fao.org/

FAO-Organisation des Nations Unies pour l'Alimentation et l'Agriculture
http://www.fao.org/index_fr.htm

FAO-Investment Centre
http://www.fao.org/tc/tci/newsandmeetings/en/

Global Donor Platform for Rural Development
http://www.donorplatform.org/

GTZ -Deutsche Gesellschaft für Technische Zusammenarbeit
http://www.gtz.de/en/http://www.gtz.de/fr/

IIAASTD-International Assessment of Agricultural Knowledge, Science and Technology for Development
http://www.agassessment.org/

IFAD- International Fund for Agricultural Development
http://www.ifad.org/

IFC-International Finance Corporation
http://www.ifc.org/

IFC-Société Financière Internationale
http://www.ifc.org/french

IFPRI–International Food Policy Research Institute
http://www.ifpri.org/

IFPRI-Institut International de Recherche sur les Politiques Alimentaires
http://www.ifpri.org/french

IMF-International Monetary Fund
http://www.imf.org/external/index.htm

FMI-Fonds Monétaire International
http://www.imf.org/external/french/index.htm

NEPAD-New Partnership for Africa's Development
http://www.nepad.org/

NEPAD- Nouveau Partenariat pour le Développement de l'Afrique
http://www.nepad.org/home/lang/fr

WPF-World Food Programme
http://www.wfp.org/

PAM-Programme Alimentaire Mondiale
http://fr.wfp.org/

PCHPA-Partnership to cut hunger and poverty in Africa
http://www.partnership-africa.org/

Rural finance Learning Centre
http://www.ruralfinance.org/

UK Food Group
http://www.ukfg.org.uk/

USAID-United States Agency for International Development
http://www.usaid.gov/

WTO-World Trade Organization
http://www.wto.org/index.htm

OMC-Organisation Mondiale de Commerce
http://www.wto.org/indexfr.htm

YARA
http://www.yara.com/

NGOs and Networks

Action Aid

CONCORD
http://www.concordeurope.org/Page.php?ID=4&language=eng
http://www.concordeurope.org/Page.php?ID=4&language=fre

EURODAD
http://www.eurodad.org/
http://www.eurodad.org/index.aspx?&LangType=1036

OXFAM
http://www.oxfam.org/ and http://www.oxfamsol.be/fr/

UK Food Group

http://www.ukfg.org.uk/

Research Organisations

Africa and Europe : Partnerships in Food and Farming
http://www3.imperial.ac.uk/africanagriculturaldevelopment

Center for Taxation and Public Governance
http://www.center4taxation.org/

EURODAD
http://www.eurodad.org

FARA-Forum for agriculture research in Africa
http://www.fara-africa.org/

FARA-Forum pour la recherche agricole en Afrique
http://fr.fara-africa.org/

ODI-Overseas Development Institute
http://www.odi.org.uk/

OECD

Organisation for Economic Co-operation and Development
http://www.oecd.org/home/0,2987,en_2649_201185_1_1_1_1_1,00.html

Organisation de coopération et de développement économiques
http://www.oecd.org/home/0,3305,fr_2649_201185_1_1_1_1_1,00.html

African Economic Outlook
http://www.africaneconomicoutlook.org/en/

Perspectives Économiques en Afrique
http://www.africaneconomicoutlook.org/fr/

DCD-DAC-Development Co-operation Directorate
http://www.oecd.org/department/0,2688,en_2649_33721_1_1_1_1_1,00.html

DCD- CAD Direction de la coopération pour le développement
http://www.oecd.org/department/0,3355,fr_2649_33721_1_1_1_1_1,00.html

OECD Tax database
http://www.oecd.org/document/60/0,3343,en_2649_34533_1942460_1_1_1_37427,00&&en- USS_01DBC.html

UN Organisations

United Nations
http://www.un.org/en

Nations Unies
http://www.un.org/fr/

ECOSOC-United Nations Economic and Social Council
http://www.un.org/en/ecosoc/

ECOSOC-Nations Unies Conseil Économique et Social
http://www.un.org/fr/ecosoc/

MDG-Millenium Developement Goals
http://www.un.org/millenniumgoals/

OMD-Objectifs du Millénaire pour le Développement
http://www.un.org/fr/millenniumgoals/

UNDP-United Nations Development Programme
http://www.undp.org/

PNUD-Programme des Nations Unies pour le developpement *http://www.undp.org/french/*

UNCTAD – United Nations conference on Trade and Development
http://www.unctad.org/Templates/StartPage.asp?intItemID=2068&lang=1

CNUCED-Conférence des Nation Unies sur le commerce et le développement
http://www.unctad.org/Templates/StartPage.asp?intItemID=2068&lang=2

UNECA-Economic Commission for Africa
http://www.uneca.org/

CEA- Commission Economique pour l'Afrique
http://www.uneca.org/fr/fr_main.htm

World Bank

Agriculture and rural development
http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTARD/0,,menuPK:336688~pagePK:149018~piPK:149093~theSitePK:336682,00.html

Glossary[70]

Aid Activity

Aid activities include projects and programmes, cash transfers, deliveries of goods, training courses, research projects, debt relief operations and contributions to non-governmental organisations.

Aid Untying

The ending of the practice of most donors to insist that aid is spent on goods and services from the donor country in favour of giving unrestricted access to those who can compete best on price, quality and service.

Alignment

When donors base their overall support on partner countries' national development strategies, institutions and procedures

Bilateral Aid

Bilateral aid is provided to developing countries and countries in transition on the Development Assistance Committee List on a country to country basis, and to institutions, normally in Britain, working in fields related to these countries.

Budgetary assistance or Budget Support

Budget Support is a form of programmatic aid in which: a. Funds are provided in support of a government programme that focuses on growth and poverty reduction, and transforming institutions, especially budgetary; b. The funds are provided to a partner government to spend using its own financial management and accountability systems.

Commitment

A firm obligation, expressed in writing and backed by the necessary funds, undertaken by an official donor to provide specified assistance to a recipient country or a multilateral organisation. Bilateral commitments are recorded in the full amount of expected transfer, irrespective of the time required for the completion of disbursements. Commitments to multilateral organisations are reported as the sum of (i) any disbursements in the year reported on which have not previously been notified as commitments and (ii) expected disbursements in the following year.

Civil Society Organisations

All Civic Organisations, associations and networks which occupy the "Social space" between the family and the State who come together to advocate their common interests through collective action. It includes volunteer and charity groups, parents and teachers associations, senior citizens groups, sports clubs, arts and culture groups, faith-based groups, workers clubs and trade unions, non-profit think-tanks and "issue- based" activist groups.

Conditionality

When donors require their developing country partners to do something in order to receive aid. If the condition is not fulfilled it will generally lead to aid being interrupted or suspended. The UK policy on conditionality is that our aid is based on three shared commitments with partner governments: poverty reduction and meeting the MDGs; respecting human rights and other international obligations; and strengthening financial management and accountability and reducing the risk of funds being misused thorough weak administration or corruption. If partner governments move away from these conditions, we can suspend, interrupt, delay or change how we deliver our aid. We do not use conditions to impose specific policy choices on countries.

Country-led approaches

Where donors allow partner countries to take the lead in the design and delivery of development and provide support to partner counties.

Development Assistance Committee (DAC)

The committee of the OECD which deals with development co-operation matters.

Disbursement

The release of funds to, or the purchase of goods or services for a recipient; by extension, the amount thus spent. Disbursements record the actual international transfer of financial resources, or of goods or services valued at the cost of the donor.

Debt Relief

Debt Relief may take the form of cancellation, rescheduling, refinancing or re-organisation. Interest and principal foregone from debt cancellation forms part of DFID programme expenditure whilst other debt relief is funded from other official sources. a. Debt cancellation (or Retrospective Terms Adjustment) is relief from the burden of repaying both the principal and interest on past loans; b. Debt rescheduling is a form of relief by which the dates on which principal or interest payments are due are delayed or rearranged; c. Official bilateral debts are re-organised in the Paris Club of official bilateral creditors, in which the UK plays its full part. The Paris Club has devised increasing generous arrangements for reducing and rescheduling the debt of the poorest countries; most recently agreeing new terms for the enhanced Heavily Indebted Poor Countries Initiative.

European Development Fund

The European Development Fund is the main route through which EC funds committed to the countries of Africa, the Caribbean and the Pacific under the Cotonou Convention are channelled.

Evaluation

The systematic and objective assessment of an on-going or completed project, programme or policy, its design, implementation and results. The aim is to determine the relevance and fulfillment of objectives, development efficiency, effectiveness, impact and sustainability. An evaluation should provide information that is credible and useful, enabling the incorporation of lessons learned into the decision–making process of both recipients and donors. Evaluation also refers to the process of determining the worth or significance of an activity, policy or program. An assessment, as systematic and objective as possible, of a planned, on-going, or completed development intervention.

Financial Aid

Financial Aid in the wider sense is defined as a grant or loan of money which is the subject of a formal agreement with the recipient government or institution. In practice it is all bilateral aid except technical co- operation and administrative costs.

Fragile states

Those states where the government cannot or will not deliver core functions to the majority of its people, including the poor. General budget support.

G7/G8 Group

The G7 Group of major industrialised democracies comprises Canada, France, Germany, Italy, Japan, the UK and the United States. The Group of Eight (G8) includes Russia. Their Heads of Government meet annually at the G7/G8 Summit to discuss areas of global concern.

GDP

Gross Domestic Product - see below

Globalisation

The growing independence and interconnectedness of the modern world through increased flows of goods, services, capital, people and information. The process is driven by technological advances and reductions in the costs of integrated transactions, which spread technology and ideas, raise the share of trade in world production and increase the mobility of capital.

Gross Domestic Product

The total value of goods and services produced within a country.

Gross National Income

Previously known as Gross National Product, Gross National Income comprises the total value of goods and services produced within a country (i.e. its Gross Domestic Product), together with its income received from other countries (notably interest and dividends), less similar payments made to other countries.

Harmonisation

Where donors co-ordinate their aid and use common procedures to ensure they are not duplicating work or placing unnecessary demands on their developing country partners.

Heavily Indebted Poor Countries Initiative

An initiative launched by the International Monetary Fund and the World Bank in 1996 to provide debt relief to the poorest countries. Revised in 1999 to deliver twice as much debt relief as the original initiative.

International Monetary Fund

The International Monetary Fund aims to promote international monetary cooperation, exchange stability, and orderly exchange arrangements; to foster economic growth and high levels of employment; and to provide temporary financial assistance to countries to help ease balance of payments adjustment.

IPCC

Intergovernmental Panel on Climate Change. Established in 1988, its first report provided the initial scientific evidence of climate change.

Least Developed Country

Least Developed Countries are those assessed as having particularly severe long-term constraints to development. Inclusion on the list of Least Developed Countries is now assessed on two main criteria: economic diversity and quality of life.

Low Income Countries

Countries in the Low Income Group, as defined in Income Groups

Middle Income Countries

Countries in the lower middle and upper middle income groups (see Income Groups).

Millennium Development Goals

A set of eight international development goals for 2015, adopted by the international community in the UN Millennium Declaration in September 2000, and endorsed by IMF, World Bank and OECD. Multilateral Aid

Multilateral Aid

Aid channeled through international bodies for use in or on behalf of aid recipient countries. Aid channeled through multilateral agencies is regarded as bilateral where DFID specifies the use and destination of the funds.

Non governmental organisations

These are private non-profit making bodies which are active in development work. To qualify for official support UK non governmental organizations must be registered charities.

Official Aid

This is the equivalent, for countries on Part II of the Development Assistance Committee List, of official development assistance to countries on Part I of the Development Assistance List (i.e. developing countries). To qualify as official aid, resource flows should have the same concessional and qualitative features as official development assistance.

Official Development Assistance (ODA)

Flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25 percent (using a fixed 10 percent rate of discount). By convention, ODA flows comprise contributions of donor government agencies, at all levels, to developing countries ("bilateral ODA") and to multilateral institutions. ODA receipts comprise disbursements by bilateral donors and multilateral institutions. Lending by export credit agencies—with the pure purpose of export promotion—is excluded.

Official Development Finance (ODF)

Used in measuring the inflow of resources to recipient countries: includes (a) bilateral ODA, (b) grants and concessional and non concessional development lending by multilateral financial institutions, and (c) Other Official Flows for development purposes (including refinancing Loans) which have too low a Grant Element (q.v.) to qualify as ODA

Ownership

Partner countries exercise effective leadership over their development policies and strategies and co-ordinate development actions.

Paris Declaration

The Paris Declaration is an international agreement in which over one hundred countries and organisations committed to continue to increase efforts in harmonisation, alignment and managing aid for results with a set of monitorable actions and indicators.

Paris Declaration baseline survey

The Paris Declaration is an ambitious set of 56 commitments group under 5 principles of ownership, alignment, harmonisation, management for development results and mutual accountability. The Declaration includes 12 indicators with targets to monitor progress, these were assessed in a baseline survey in 2006 and 2008.

Partnership Programme Agreements

PPAs are agreements between DFID and influential civil society organisations in the UK which set out at a strategic level how the two partners will work together to meet the Millennium Development Goals (MDGs). Strategic funding is provided, linked to to jointly agreed strategic objectives.

Poverty reduction budget support

Poverty reduction budget support is a form of financial aid in which funds are provided directly to a partner government's central exchequer to support that government's programmes. This can be in the form of general budget support (not directed at particular sectors) or sector budget support.

Poverty Reduction Strategies

Poverty Reduction Strategies are prepared by developing country governments in collaboration with the World Bank and International Monetary Fund as well as civil society and development partners. These documents describe the country's macroeconomic, structural and social policies and programmes to promote growth and reduce poverty, as well as associated external financing needs and major sources of financing.

Predictability

A measure of how predictable flows of aid to developing partner countries are. This includes the extent to which aid promised within a given year is delivered and how many years in the future donors provide information about aid to be provided.

Programme Aid

Programme aid is financial assistance specifically to fund (i) a range of imports, or (ii) an integrated programme of support for a particular sector, or (iii) discrete elements of a recipient's budgetary expenditure. In most cases, support is provided as part of a World Bank/ International Monetary Fund co - ordinated structural adjustment programme.

Programme-based approaches

Programme-based approaches are funds provided to a sector to deliver a single programme, led by the partner country, with a single budget and a formal process for donor co-ordination, and that make efforts to increase the use of developing partner countries' systems.

Public financial management

A PFM system has three key objectives: to maintain fiscal discipline (securing stewardship), keeping spending within limits created by the ability to raise revenue and keeping debt within levels that are not prohibitively expensive to service; to promote strategic priorities (enabling transformation) – allocating and spending resources in those areas that make the greatest contribution to the government's objectives; and to deliver value for money (supporting performance) – efficient and effective use of resources in the implementation of strategic priorities.

Public Private Partnership

A Public/Private Partnership brings public and private sectors together in partnership for mutual benefit. The term Public Private Partnership covers a wide range of different partnerships, including the introduction of private sector ownership into businesses that are currently state-owned, the Private Finance Initiative, and selling Government services into wider markets.

Public Service Agreement

A set of measurable targets for the Department's work, as required by the White Paper Public Services for the Future: Modernisation, Reform, Accountability.

Regional Development Banks

International Development Banks which serve particular regions, for example the African Development Bank or the European Bank for Reconstruction and Development

Technical cooperation

Includes both (a) grants to nationals of aid recipient countries receiving education or training at home or abroad, and (b) payments to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries, (including the cost of associated equipment). Assistance of this kind provided specifically to facilitate the implementation of a capital project is included indistinguishably among bilateral project and programme expenditures, and not separately identified as technical co-operation in statistics of aggregate flows.

Volume (Real Terms)

The flow data in this publication are expressed in US dollars. To give a truer idea of the volume of flows over time, some data are presented in constant prices and exchange rates, with a reference year specified. This means that adjustment has been made to cover both inflation between the year in question and the reference year, and changes in the exchange rate between the currency concerned and the United States dollars over the same period. A table of combined conversion factors is provided at the end of the Statistical Annex which allows any figure in the Report in current United States dollars to be converted to dollars of the reference year ("constant prices").

Acronyms

AGRA	Alliance for a Green Revolution in Africa
ATAF	African Tax Administration Forum
AU	African Union
CSO	Civil society organization
CAADP	Comprehensive Africa Agricultural Development Program
CGIAR	Consultative Group on International Agricultural Research
DFID	Department for International Development, UK
ECA	United Nations Economic Commission for Africa
ECOSOC	United Nations Economic and Social Council
EU	European Union
EPAs	Economic Partnership Agreements
FARA	Forum for Agricultural Research in Africa
FAO	Food and Agriculture Organization of the United Nations
FTAs	Free trade agreements
GDP	Gross Domestic Product
GDPRD	Global Donor Platform on Rural Development
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFIs	International financial institutions
IFPRI	International Food Policy Research Institute
IMF	International Monetary Fund
LDCs	Least-developed countries
MDGs	Millennium Development Goals
NEPAD	New Partnership for Africa's Development

NGOs	Non-governmental organizations
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
OECD-DAC	OECD-Development Assistance Committee
PROAGRA	Program for Green Revolution in Africa
PRSP	Poverty reduction strategy paper
PRSC	Poverty reduction support credit
R&D	Research and Development
SADC	Southern African Development Community
SSA	Sub-Saharan Africa
SWAp	Sector-wide approach
UKFG	UK Food Group
UN	United Nations
UNECA	United Nations Economic Commission for Africa
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WB	World Bank
WFP	WorldFood Programme
WTO	World Trade Organization

Endnotes

1 This Reader is not intended to exhaustively cover the theme of ACP Food security and the Global Economic Crisis but to provide some background information and selected information resources. Most text of this Reader has been directly taken from the original documents or websites. For additional inputs, kindly contact Isolina Boto (boto@cta.int). The Reader and most of the resources are available at http://brusselsbriefings.net/.

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