AFRICA RENEWAL

Formerly 'Africa Recovery' United Nations Department of Public Information Vol. 22 No. 4 January 2009

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AFRICA braces for economic shocks

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AFRICA RENEWAL

United Nations
Vol. 22 No. 4 January 2009

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Africa Renewal is published in English and French by the Strategic Communications Division of the United Nations Department of Public Information, with support from UNDP, UNICEF and UNIFEM. Its contents do not necessarily reflect the views of the United Nations or the publication's supporting organizations. Material from this magazine may be freely reproduced, with attribution to "United Nations Africa Renewal," and a clipping would be appreciated.

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Tackling piracy off African shores

More regional cooperation needed for peace and security

By **Mary Kimani**

Persistent and high-profile acts of piracy off the coast of Somalia prompted no less than four meetings of the UN Security Council in the second half of 2008. The goal, pushed by major powers, was to begin reining in the growing threat to commercial activity in one of the world's most important shipping lanes. In its December meeting, the council authorized governments that are already carrying out naval operations in Somali waters to possibly extend their anti-piracy efforts to land and air. But UN Secretary-General Ban Ki-moon stressed that Somalia's piracy problem cannot be divorced from the need to forge a comprehensive peace agreement for the country. As Dumisani Kumalo, South Africa's UN representative, told an October council meeting, piracy in Somalia is "part of the larger problem of the lack of peace and stability."

Piracy, moreover, is not limited to Somali waters. Weak coastal states located near shipping choke points (where traffic is slow) are the most likely havens for piracy, says Kerstin Petretto, a researcher at the German Institute for International and Security Affairs. That description fits the waters off Somalia and a few other parts of the world, including West Africa's Gulf of Guinea, which saw 40 pirate attacks from January to November 2008.

But piracy off Somalia is more common. Since the International Maritime Organization (IMO) began keeping records in 1984, there have been more than 440 reported acts of piracy off the Somali coast. "Of these, 120 took place in 2008 alone," IMO Secretary-General Efthimios Mitropoulos told the Security Council in November. More than 40 ships and 600 seafarers have been seized. Pirates have collected an estimated $120 mn in ransom.

Panos / Sven Torfinn

A relief ship delivering food to Somalia is protected by a Dutch warship (in the background) to ward off potential pirate attacks.

Farther and more brazen

Somali pirates are also sailing increasingly farther into the Indian Ocean from their bases in Puntland, in northern Somalia. One vessel, the *Sirius Star*, a supertanker carrying two million barrels of oil, was hijacked 450 nautical miles (833 kilometres) southeast of Kenya's port, Mombasa, farther south than any previous attack. "This incident is significant on two counts," says International Maritime Bureau (IMB) Director Pottengal Mukundan. "Firstly, this is the largest vessel to have been hijacked. Secondly, the distance from the shore would suggest a highly organized operation — this is not mere opportunism." The IMB is a division of the International Chamber of Commerce and operates a 24-hour piracy reporting centre.

Rising pirate attacks led to a 12–15 per cent rise in insurance premiums in 2008 and a hike from $500 to $20,000 of the special risk insurance for each ship passing through the Gulf of Aden, which skirts Somali waters. Ships can go around South Africa's Cape of Good Hope to Europe instead. But the Gulf of Aden route, which serves about 20,000 vessels annually and carries over 12 per cent of all the oil transported by sea, is faster and cheaper. Nor is the Cape route totally safe. The *Sirius Star* was using the Cape route when it was hijacked.

'A perfect environment'

With very little functioning government, long, isolated beaches and a population that is desperate and accustomed to war, "Somalia is a perfect environment for piracy to thrive," states an October 2008 report by Chatham House, a UK-based think tank.

Within Puntland, the autonomous area in Somalia where most pirate attacks originate, the hijackings are seen as an important source of income, providing jobs and opportunities for hundreds. Fuel suppliers and merchants equip the pirates' boats.

Many pirates started as fishermen. As Ms. Petretto points out, Somalia's fishing waters used to be a source of community income. But over time they attracted many European and Asian fishing vessels, whose exploitation depleted fish stocks and possibly prompted residents' "sense of justifi-

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Africa braces for global shockwaves

Growth slows, but Africa's economies are now more resilient

By **Ernest Harsch**

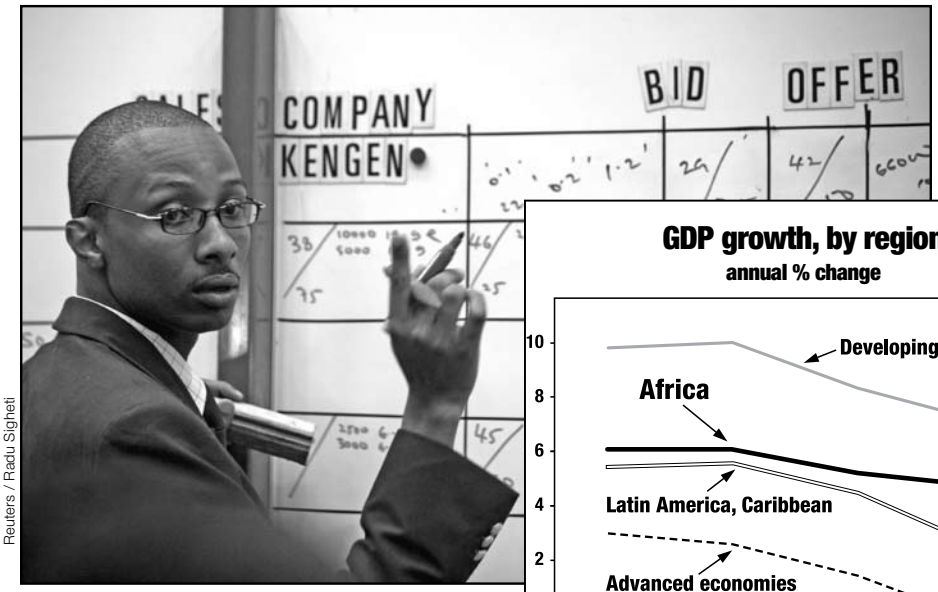
When several US investment houses collapsed in September, unleashing a chain of crashes in major markets around the world, brokers at Kenya's Nairobi Stock Exchange anxiously watched the listings on their own boards. As feared, Nairobi share values did drop, and by late October were down 18 per cent from the start of the year. But that decline was far less steep than those in New York, London, Tokyo and other global financial centres.

The limited impact prompted Nairobi Stock Exchange Chairman James Wangunyu to explain that "the low level of development of our market and its minor presence in the global context has ensured that Kenya does not suffer a direct contagion effect." But about the wider economy Mr. Wangunyu was less optimistic: "Kenya is part of an increasingly integrated global economy and the effects of the financial system turmoil in the United States and Europe is bound to have an effect, albeit a lagged one."

For some Kenyans, there has been no lag at all. In the wake of political violence at the start of the year, Esther Kangogo has been struggling to recover from the damage to her Rift Valley home. For months, a daughter working in Texas regularly sent her money to help. But now, with harder economic times in the US, Ms. Kangogo told the UK's *Financial Times*, her daughter "can't afford to send money back home."

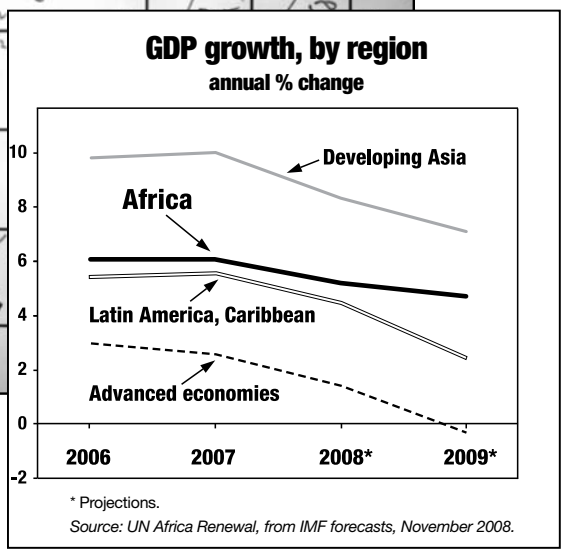
As economic growth slows worldwide and some major industrial economies have gone into recession, it has become clearer that the repercussions of the global financial crisis will be felt throughout Africa's "real economy" — beyond the narrow realm of stock trading. Dwindling financial remittances from Africans working abroad, lower world prices for Africa's exports, scarcer and more costly commercial credit and less generous flows of foreign aid will inevitably dampen productive activity across the continent.

African ministers of finance and planning, meeting on 12 November, warned that the crisis "constitutes a major setback at a time when African economies were turning the corner." The impact of the global financial crisis, in combination with high food prices, volatile oil markets and the repercussions of climate change will worsen conditions for millions of poor Africans. "We are facing a human as well as financial crisis."



Reuters / Radu Sigheti

A trader on the Nairobi Stock Exchange: Since African capital markets are only marginally connected to world financial markets, the continent has not experienced stock crashes as severe as those in Northern economies.



* Projections.
Source: UN Africa Renewal, from IMF forecasts, November 2008.

Flexibility and growth

While serious, Africa's current economic situation is not as dire as it once might have been. Seven consecutive years of relatively high growth have allowed a number of countries to build up their monetary reserves and improve external financial balances, providing a cushion against short-term difficulties. In addition, economic reforms to enhance the productivity and efficiency of Africa's farms, factories and markets have made its economies more resilient, notes Louis Kasekende, chief economist of the African Development Bank. "African economies have become more flexible than in the past," Mr. Kasekende argues, "and are in a better position than before to absorb shocks."

On 6 November, the International Monetary Fund (IMF) released updated forecasts showing that economic growth in all regions will slow markedly. But Africa's performance will still be relatively strong, with 5.2 per cent average growth in gross domestic product (GDP) projected for 2008 and 4.7 per cent for 2009. That compares favourably not only to the hard-hit industrialized economies, but also to the growth rates of some other developing regions, such as Latin America and the Caribbean (see graph, above).

On 1 December, the UN's Department of Economic and Social Affairs (DESA)

released somewhat gloomier projections, showing even slower growth worldwide. According to DESA, Africa's GDP growth will likely decline from 5.1 per cent in 2008 to 4.1 per cent in 2009. But that will still be higher than in Latin America and will stand in stark contrast to the dismal prospects for developed nations. In DESA's best-case scenario there will be virtually no growth in the economies of rich countries in 2009, but they will more probably contract by 0.5 per cent, and perhaps by as much as 1.5 per cent.

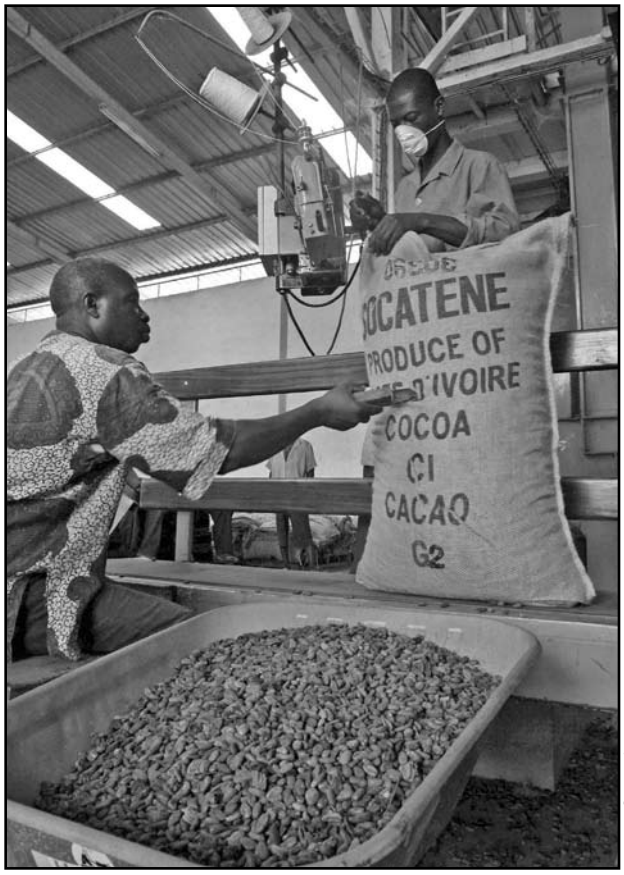
One reason the global turmoil will have a less severe impact in Africa is that capital controls, good banking supervision and strong financial regulation have kept the continent's banks focused on domestic deposits and relatively secure investments. They therefore had little exposure to the sub-prime mortgages and other dubious loans that brought down banks in the US and Europe. South Africa's financial discipline, commented Jacob Zuma, head of the ruling African National Congress, has served as something of a "shock absorber" against the global crisis.

For many poorer African countries in particular, extensive debt write-offs in recent years have contributed to stronger balance sheets. The continent's total official debt fell to $144.5 bn in 2007 (from $205.7 bn in 1999). Because these countries now do not have to spend nearly as much on servicing foreign debt, they have more left for strengthening social services and productive capacities.

Another factor is that Africa's economies are somewhat less dependent than before on external markets and financing. Previously, says Razia Khan, the head of Africa research for the UK's Standard Chartered bank, slowing world growth brought comparable slowdowns in African economies, mainly by weakening sales of the primary commodities that Africa exports. But now "we have noted that [Africa's] growth is also fed by domestic consumption." Luc Rigouzzo, director-general of Proparco, the investment arm of France's aid agency, agrees, adding that rising domestic consumption has been driven by an increasingly urbanized population.

Commodity gyrations

The sources of African economic growth may now be more diverse, but the continent still relies heavily on sales of oil, minerals, coffee and other raw materials. Exports of Africa's beverage crops, such as cocoa and coffee from Côte d'Ivoire or tea from Kenya, are typically sensitive to downturns in US and European markets. A number of African countries have benefited in recent years from robust sales of clothing and textiles to the US under the favourable market-access provisions of that country's Africa Growth and Opportunity Act, but those too may be in jeopardy as US consumers buy fewer goods.



Reuters / Thierry Gouegnon

Exporting cocoa from Côte d'Ivoire: Recession in the world's biggest economies has brought a slump in market prices for many of the primary commodities that Africa exports, thus hurting African incomes.

World prices of metals, which have been relatively high for several years, have fallen especially sharply. During October alone the price of copper, Zambia's major export, plunged by a steep 37 per cent. Silver was down by 21 per cent and even gold — often a refuge for investors in troubled times — came down 18 per cent.

BHP Billiton, the world's third largest producer of nickel, has suspended its nickel prospecting in the North Katanga region of the Democratic Republic of the Congo (DRC), because of the slide in nickel's price. Jean-Félix Mupande, director-general of the DRC's mine-registration agency, also worries about slowing economic growth in China. "Congo's mining sector, which is tied closely to China, will certainly feel the blow," he says.

In Burkina Faso, Prime Minister Tertius Zongo presided over the inauguration of a new gold mine in early November. But work on other mining projects, he noted, has been delayed by mining companies' difficulties in raising commercial financing. "Those who think that the international financial crisis will not have an impact on our countries are making a very simplistic analysis," Mr. Zongo commented. Burkina, which had already been hit by low world prices for cotton, historically its major export, was counting on the opening of several new gold mines to boost its fortunes.

Although mining accounts for only 5 per cent of South Africa's economy, that country has been hit especially hard by the mining slump, in part because its well-developed stock exchange is closely integrated into international capital markets and foreign investors can dump their holdings relatively easily. By the end of October foreigners had sold a net 48 bn rands (US$6.1 bn) of local stocks since the beginning of the year, compared with a net acquisition of R62 bn for the same 10-month period the year before.

However, the South African government is used to the mining sector's "nasty tendency to boom and bust," Finance

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Out of crisis, opportunity?

Africa seeks a voice in global financial management

By ***Ernest Harsch***

The Chinese word for "crisis" (*wei ji*) is composed of two characters, notes Senegalese economist Moustapha Kassé. One signifies "danger"; the other, "opportunity." In reacting to the current global economic crisis, Mr. Kassé argues, African governments have too often seen only the first meaning. "But it is the second that is essential: every crisis carries within itself an opportunity, a chance for change, for adaptation."

So far African political leaders, experts and researchers have not done nearly enough to intervene in international debates over how to overcome the crisis, claims Mr. Kassé, a professor at the University of Dakar. They must become much more active, since these talks "will decide the fate of the world."

From New York to Washington to Doha, a series of international summits have brought world leaders together to brainstorm. With the depth of the current crisis — and the failure of the most influential financial institutions even to foresee its outbreak — there is now broad consensus that fundamental reforms are needed to avoid future calamities. But beyond that basic understanding, little common ground has yet emerged. What reforms? How far-ranging? And who will decide?

Africanpictures.net / Marianne Schwankhart

A trading house in Johannesburg, South Africa: As the only African "emerging market" at the Group of 20 summit in Washington, South Africa sought to convey the continent's policy proposals to the leaders of the world's biggest economies.

Only one African country (South Africa) was invited to the 15 November emergency summit in Washington of the Group of 20 (G-20), a high-level consultative body. But a number of African presidents and prime ministers took part in an international conference on "financing for development" in Doha, Qatar, two weeks later. Their presence in Doha, said Jean Ping, chairman of the Commission of the African Union, the continental political body, testified to Africa's interest in reforming global economic arrangements. "How can reforms of the system be envisaged without us?" he asked. "How is it possible to think that Africa can be left out of these negotiations, which concern Africa and the future of its children? Africa's voice must be heard."

More seats at the table

While the Washington summit of the G-20, called by outgoing US President George W. Bush, put off any real decisions until a follow-up meeting in London in April, the simple fact that it took place broke at least one barrier. Previously, most major talks about the world economy had been limited to the rich industrialized countries' Group of Seven (Canada, France, Germany, Italy, Japan, UK, US), joined on some issues by Russia (to form the Group of Eight).

But with those countries' economies now spiraling downward, it has become clear that on their own they would be hard-pressed to pull out of the crisis, let alone develop any credible reform proposals. "The G-7 is not working," acknowledged World Bank President Robert Zoellick. "We need a better group for a different time."

In fact, many critics from developing countries maintain that the dominant international financial institutions, especially the World Bank and International Monetary Fund (IMF), are themselves not working effectively. One criticism is that their decision-making is weighted too heavily in favour of the richest economies. On the IMF board, for example, the US carries 17.1 per cent of the votes and the European Union 32.4 per cent. As a result, critics argue, the interests of developing countries are not well reflected. And while poor nations must often carry out painful economic reforms in order to qualify for financial assistance, the policies of the rich economies have faced little, if any, scrutiny from the IMF or World Bank.

In this context, the summit in Washington was thrown open to a somewhat broader group of countries. The G-20, established in 1999 in the immediate wake of the Asian financial crisis, was initially comprised of finance ministers and central bank governors from developed countries and from some of the larger developing economies, commonly called "emerging markets." The developed side included the G-8 countries, Australia and the European

Union. The developing countries were Argentina, Brazil, China, India, Indonesia, Mexico, the Republic of Korea, Saudi Arabia, South Africa and Turkey.

The decision to upgrade the G-20 meeting to the level of heads of state — and thereby transform it into a more central body — reflected not only the unprecedented nature of the current crisis, but also a longer-term, underlying shift: the economies of the G-7 are no longer as dominant as they once were. Between 1965 and 2002, the G-7 accounted for two-thirds of world output. That share has now fallen to 52 per cent. According to some projections, it could shrink to 37 per cent by 2030 and 24 per cent by 2050.

Meanwhile, the larger developing economies have grown in influence as trading powers, investors and even providers of foreign aid. As a group, the developing economies will continue to grow by 4.6 per cent in 2009, while the industrialized countries slide deeper into recession, according to forecasts by the UN's Department of Economic and Social Affairs.

As the industrialized nations grapple with ways to stimulate the global economy, the financial resources at the disposal of these "emerging markets" are a major attraction. When Japanese Prime Minister Taro Aso announced in Washington that Japan would offer as much as $100 bn to support IMF rescue packages for financially troubled countries, he added, "Oil-producing countries, China and other countries that have ample reserves could also make their contributions."

Brazilian President Luiz Inácio Lula da Silva emphasized that developing countries will not be content with simply putting their money on the table. They also want a greater say. "In a globalized world," he argued, "we need serious and representative forums to take global decisions.... We need to have other countries and other continents for more democratic, more plural decisions."

For a 'new multilateralism'

Before the G-20 summit, initial reactions in Africa were somewhat sceptical. President Denis Sassou-Nguesso of the Congo Republic complained that Africa was still excluded from the discussions on international reform. Although South Africa belonged to the group, he said, it was as an "emerging market," not a representative of Africa.

But just three days before the G-20 met, African finance and planning ministers and central bank governors met in Tunis, Tunisia, to hammer out an initial common stance on the global crisis (see box, above). They also asked South Africa to convey their views to the G-20.

South African President Kgalema Motlanthe did in fact present Africa's case in Washington. Beyond relaying Africa's policy proposals, President Motlanthe argued that reform should "entail far better representation for African countries in the international financial institutions than is currently the case."

The ministers in Tunis had stressed the same point, stating that South Africa's role within the G-20 "cannot be a substitute for enhanced African participation.... A new global accord must be inclusive and reflect the interests of all in negotiations and decision-making. We call for a 'new multilateralism' that fully reflects current realities."

That call was echoed at the international conference on "financing for development" in Doha on 29 November–2 December. "We need a new multilateralism," declared UN Secretary-General Ban Ki-moon. In fact, one of the conference's main purposes, he said, was to "build a bridge between the G-20 and the rest of the world — the full community of nations."

Many leaders from Africa and other regions have pointed out that the United Nations — to which all countries belong — is well suited for establishing forums to develop the most inclusive proposals for long-term reform. The Doha conference concluded with a call for the UN to organize a summit on world financial structures.

Reassessing policies . . .

Many specific reform recommendations have already been floated. The G-20 summit alone set up working groups to negotiate proposals on 47 issues. If agreement can be reached, some of those proposals may be taken up at the London meeting in April. The issues ranged from reforming the IMF and World Bank to taking a variety of measures to better regulate and monitor financial and investment activities. According to some suggestions, there should be greater scrutiny of multinational banks and investment houses, as well as of the policies of the large industrialized economies.

Beyond financial questions, the G-20 leaders also called for restarting stalled international trade talks and vowed to combat a tendency by some rich countries

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'A global crisis demands a global response'

In reaction to the world economic crisis, African ministers of finance and planning and governors of central banks met in Tunis on 12 November to begin developing a continental approach. Their deliberations were chaired by the heads of three major institutions in Africa: President Donald Kaberuka of the African Development Bank (ADB), African Union (AU) Commission Chairperson Jean Ping and UN Economic Commission for Africa (ECA) Executive Secretary Abdoulie Janneh.

The ministers vowed that African governments will continue to deepen their own economic reform initiatives by strengthening financial regulation, improving governance, diversifying economies and better mobilizing domestic resources. They pledged to improve collaboration among the AU, ADB, ECA and other African institutions.

Arguing that "a global crisis demands a global response," the ministers also made a number of recommendations for action by Africa's international partners, including:

- A successful conclusion of the Doha round of international trade talks.
- The maintenance of donor commitments to increase aid to Africa, along with steps to improve the effectiveness of the aid delivered.
- Comprehensive reform of international financial institutions, including the International Monetary Fund and World Bank.

On the last point, the ministers emphasized that "emerging and developing economies should have greater voice and representation in these institutions" and that the reforms "should also take into account the interests of the poorest countries."

Small loans widen horizons for the poor

More money behind microfinance groups in Africa

By ***Mary Kimani***

Does microfinance benefit economic development? When asked that question, James Mwangi, chief executive officer of Kenya's Equity Bank, responds in the affirmative. With even small loans, he told *Africa Renewal*, "We have seen families graduate from micro-enterprises to semi-medium enterprises."

Panos / Giacomo Pirozzi

Signing up for a loan with a community group's microcredit programme in Kenya.

Microfinance is a type of lending that targets low-income individuals who may find it difficult to borrow from regular banks because they lack collateral or a credit history. It is not new. Since the 1970s non-governmental groups have given small loans to poor people, especially women and those in the informal sector, to meet basic needs or to start up or expand businesses.

But an increasing number of individual and institutional investors worldwide are putting more money into the sector, reports the Consultative Group to Assist the Poor, (CGAP), a World Bank affiliate that works with governments to expand credit to poor people.

Traditionally, microfinance loans, typically between $20 and $300, were provided by non-governmental organizations (NGOs). Most such groups were not registered as financial institutions, and generally depended on donor funds for the money they lent. That made them vulnerable to changes in donor policies and to rigid rules about the types of projects they could finance.

Then the Grameen Bank in Bangladesh, the first private financial institution to extend microcredit on a large scale, established a new model. Grameen Bank demonstrated that it was possible to extend loans to millions of poor people and still make a profit. It also showed that the poor can be entrepreneurial and creditworthy.

In the last two decades microfinance has grown beyond just lending. According to CGAP, microfinance today refers to "retail banking for poor people" and includes insurance and other services and innovations such as mobile banking.

The demand has also grown tremendously, far beyond what can be provided with the available financing. A 2007 study by Germany's Deutsche Bank reported that while $4.4 bn is invested in microfinance worldwide, about $250 bn is actually needed. That demand has made microfinance an attractive option for investors seeking alternative financial instruments that are not tied up with increasingly volatile world financial markets. Such interest has not only made larger loans available, but also has made more credit and financial services available to the poor, especially women (see page 10).

Loan guarantees

Donna Katzin, of the New York–headquartered non-profit funding organization Shared Interest, says that loan guarantees have been one of the more successful innovations in the sector. Shared Interest has followed in the footsteps of the Swiss-based Recherches et Applications de Financements Alternatifs au Développement (RAFAD), which since the 1980s has guaranteed loans that commercial banks issue to microfinance institutions and projects.

By guaranteeing loans, RAFAD and Shared Interest have substantially reduced the risks that commercial banks assume when lending to individuals and groups without credit histories or collateral. The promise implied by the guarantee — that Shared Interest or RAFAD will meet part of the losses if the borrower defaults on the loan — encourages banks not only to make such loans, but also to release more money than they otherwise would. In two decades, RAFAD and its Fonds International de Garantie have issued $53 mn in guarantees on some $212 mn in credits. The funds have created 260,000 small business jobs worldwide, benefiting an estimated 1 million people.

Shared Interest works with RAFAD in South Africa. It has invested $11.4 mn in Thembani Guarantee Trust since 1994. The money earns a return of about 2 per cent in interest.

Being a non-profit, Shared Interest keeps its own returns low. But private lenders often earn more. For most poor borrowers, even interest rates as high as

20–30 per cent are still lower than the exorbitant rates usually charged by loan sharks, often the only other sources of financing where access to commercial banks is limited. Microfinance investors can therefore earn a lot more than through other traditional investments.

A growing sector

Attracted by the potential, private enterprises such as MicroVest, a US private microfinance investment fund, have poured $1 mn into Ghanaian microfinance lender Sanapi Aba Trust. Similarly, AfriCap Microfinance Fund, formed in 2001, has invested in 12 microfinance institutions, including in Ghana, Kenya, Senegal, Madagascar, Malawi, Mozambique, Nigeria and Sierra Leone. AfriCap, which has about $50 mn in capital, was the first Africa-based equity fund to be entirely focused on microfinance.

The results have been significant. The cash injection from AfriCap and Helios International, in exchange for 12 per cent and 25 per cent ownership shares, respectively, in Equity Bank of Kenya, helped turn the formerly small microfinance lender into a major commercial bank. It now serves 2.5 million lower- and middle-income Kenyans. Equity Bank was also able to buy Uganda Microfinance, the biggest microfinance institution in that country. The beneficiaries have been small and medium-scale businesses.

In 2004 Equity Bank became the first African microfinance institution to be publicly traded. By 2006 it had extended loans of more than $106 mn, much of it to women. Its investors have made a tidy profit. "We have seen a 7 per cent return on our assets and grown by 200 per cent," says Mr. Mwangi.

The growing interest and investment in Africa's microfinance sector, Mr. Mwangi believes, are largely the result of "dwindling investment opportunities elsewhere." There is also a "growing recognition that Africa has turned a corner. People are seeing the prospects in Africa, and strategically positioning themselves to take advantage of the continent's growth."

Partnerships give hope

With a dual goal of making profits and helping poor people gain access to financial services, private enterprises are increasingly partnering with donor agencies to jointly invest in microfinance. Such partnerships are in line with the 2002 Monterrey Consensus, in which heads of state worldwide agreed on priorities for financing development. Those leaders recognized the importance of microfinance and committed to promote "private-sector financial innovations and public-private partnerships." Such partnerships, they hoped, would strengthen the capacity of domestic financial institutions to cater to people who have been poorly served, such as rural residents and women. Those two markets, CGAP estimates, account for two-thirds of all microfinance borrowers globally.

One public-private partnership is the GroFin Africa Fund. Worth nearly $150 mn, GroFin is a consortium that includes the African Development Fund, the World Bank's International Finance Corporation (IFC), Deutsche Bank Foundation Americas, Skoll, Syngenta and the Shell Foundation, among others. The fund plans to invest directly in about 500 small and medium enterprises (SMEs) in Kenya, Tanzania, Uganda, Rwanda, Ghana, Nigeria and South Africa.

GroFin personnel also provide technical assistance to businesses, to help them become more stable and profitable. Combining financing with business advice was a deliberate strategy, Kenneth Onyando, GroFin's East Africa regional investment manager, stated in 2007. "African SMEs too often struggle to find the capital they need because banks see them as too risky an investment," he said. "By integrating funding with business development assistance, we are offering a viable solution to this problem — giving SMEs hope and delivering returns to investors."

UN / Evan Schneider

Rural women in Senegal sell processed mangos and yams: With just a little credit, poor producers can expand their businesses and incomes.

Business Partners International (BPI) of Kenya is a similar consortium. It includes the IFC, the European Investment Bank, the East Africa Investment Bank and the Kenyan private equity funds Tran Century and CDC group. BPI set up a $14.1 mn fund in February 2006 and provides loans ranging from $50,000 to $500,000 to its clients. The fund takes collateral when it is available in order to reduce the risk of default. However, when potential borrowers lack collateral, its lending decisions are based on "the viability of the business," BPI's chief investment officer, Sally Gitonga, told local media.

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Banking on African women

Loan guarantees and private partners improve access

By ***Mary Kimani***

"We are not waiting. We are moving," says Pilda Modjadji, a founding member of the Pankop Women Farmers Forum in Mpumalanga, South Africa. "We mean business."

The Pankop group, which now has 300 members, started with the humble goal of growing fruit collectively and using the proceeds to supplement family diets, raise incomes and pay school tuition fees. But the women quickly realized that the village offered few job prospects for graduates — their children were going off to the cities. Determined to create an alternative source of employment in the village, the women, with the agreement and support of traditional chiefs and municipal authorities, set up a fruit and vegetable dehydration plant.

The women's plans were ambitious, and they felt that old-style microcredit loans — which usually range between $20 and $300 — were not enough. The Pankop group needed the equivalent of $100,000. They got the funds from local commercial banks because Thembani International Guarantee Fund, a South African organization created in 1996 by the US non-profit Shared Interest and the Swiss-based Recherches et Applications de Financements Alternatifs au Développement (RAFAD), put up $70,000 in loan guarantees. Such guarantees provide banks with an assurance that the guarantor will assume part of the losses if a default occurs.

With that first loan, the women in Mpumalanga converted an old school dormitory into a functioning plant. The project initially hired 65 young people. Then, with a second loan of $120,000, also guaranteed by Thembani, they increased the number of employees to 200, working in shifts. Their latest loan is worth about $1 mn, with $800,000 of it guaranteed by Thembani. With those funds, the women plan to meet European Union health and safety standards and start exporting their produce.

Panos / Thomas Havisham

A fabric seller in Angola: Women own nearly half of all enterprises in Africa, but have the hardest time securing credit.

A different approach

The Pankop Women Farmers Forum reflects the new face of microfinance in Africa. Traditionally, microfinance institutions have often been non-profit groups relying heavily on donor money, targeting basic needs and generally giving out only small loans. But increasingly, private equity funds and philanthropic groups and individuals are making it possible to leverage significantly larger loans. They do so by giving loan guarantees to local commercial banks, which reduces the perceived risks of lending and leads the banks to release more money.

Since its inception in 1994, Shared Interest has given guarantees worth over $13 mn, encouraging South African banks, municipal unions and private companies to disburse some $100 mn. Such loans have benefited more than 1 million low-income South Africans. Three-quarters of the beneficiaries have been women.

Donna Katzin, president of Thembani's parent organization, Shared Interest, told *Africa Renewal* that her group does more than just create access to financing. "Thembani identifies projects and partners, helps them develop business proposals and plans for bankable projects and hooks them up with banks that are able to provide the credit."

Thembani also gives technical assistance to the commercial banks issuing the loans. Most such banks, Ms. Katzin notes, previously had little inclination to lend to informal groups. "Most lack experience or training or have difficulty with this kind of lending. We are helping to change the way the banks operate. We are introducing them to a new set of people who need their capital."

Scaling up

According to the World Bank's International Finance Corporation (IFC), women own about 48 per cent of all enterprises in Africa. But they have the hardest time gaining access to finance.

Non-governmental organizations like Shared Interest are not the only ones using guarantees to improve women's access to credit. The International Labour Organization and the African Development

Bank (ADB) have jointly created a $10 mn guarantee scheme called Growth-Oriented Women Entrepreneurs (GOWE), with the ADB and IFC managing the operation. GOWE is intended to help about 400 women entrepreneurs across Africa to secure access to financing by 2011. For prospective borrowers to qualify, their businesses must be at least two years old and show potential for growth. Those who are approved can borrow between $20,000 and $400,000, but are expected to raise 20 per cent of the expansion costs on their own.

According to IFC Operations Officer Mary Njoroge, "by focusing on established small and medium enterprises that are looking to expand," the organizations hope to "increase the share of women's enterprises that actually make it to middle and large scale."

'Make successful' loans

In Kenya, the UN Development Programme (UNDP) has partnered with Equity Bank — a former microfinance institution that has turned itself into a commercial bank — to set up a fund to provide $81 mn in loans exclusively to women. "We call the loans *fanikisha* ["make successful"] and it has been one of our most successful products yet," Equity Bank Chief Executive Officer James Mwangi told *Africa Renewal*. "Fifty-four per cent of the customers at our bank are women, and they have the best loan-repayment reputation."

Equity's *fanikisha* loans are based on an evaluation of a business's cash flow, rather than on collateral. Clients can borrow as little as $25 and as much as $160,000 or more, depending on their previous repayment record.

In Nigeria, until recently, enterprising and capable women with solid businesses could not get loans because they lacked collateral requirements or credit histories. Most commercial banks, which had little familiarity with women's businesses or the market niches they occupy, believed that it was too risky to give them loans.

But one such bank, Access Bank, thought that it could finance women's businesses profitably. It approached the IFC, which provided it with a $15 mn line of credit for lending specifically to businesses owned by women. The loans were accompanied by business development advice and training to help the women improve their business skills and operations.

Africanpictures.net / Graeme Williams

A local lender in Mpumalanga, South Africa: Loan guarantees are encouraging banks to give more credit to women's groups.

Lower cost of credit

In Kenya, 61 per cent of household entrepreneurs are women, but two decades ago getting the necessary financing to expand businesses was difficult for them. In 1981, a group of women came together and formed the Kenya Women Finance Trust (KWFT), a microfinance lender dedicated to women. At inception, KWFT relied on limited donor funds and loans from commercial banks. The latter often came with high interest rates, a cost KWFT had to pass on to its clients. According to KWFT's chief executive, Jennifer Riria, the trust faced many defaults and became heavily indebted.

But as commercial banks have realized that lending to women can be profitable, loans to organizations like KWFT have become cheaper, enabling it to lend at lower rates and expand its reach. Today it is the largest microfinance institution for women in East and Central Africa. In 2006 alone, KWFT disbursed $52 mn in loans to its clients, managed $16 mn in member savings and had more than 200,000 accounts in seven of Kenya's eight provinces.

Insurance coverage

Some microfinance organizations are going a step beyond simple lending. KWFT realized that emergency health costs often forced women to raid their business capital to pay for health care. In response, the trust launched a medical insurance programme for its clients and their families.

For a yearly payment of about $60, KWFT clients get policies to cover inpatient, personal accident and funeral expenses. They can also draw weekly allowances during hospital admissions and thus meet their ongoing business obligations. If they become disabled, they receive a lump-sum payout. It is an innovative service in a country where insurance services are still largely unavailable to those not formally employed.

Equity Bank is offering a similar service to its clientele, most of whom are women. For about $6 a month in premiums, the bank provides crop insurance, basic life insurance or funeral insurance, in partnership with British American Insurance and other insurance companies. Mr. Mwangi, Equity's chief executive, explains that poor people often keep their savings in traditional forms such as crop granaries

see page 20

Laying Africa's roads to prosperity

The continent targets its infrastructure gap

By ***Michael Fleshman***

From outer space the vast Cahora Bassa hydroelectric complex on the Zambezi River in Mozambique is easy to see. Originally built by the Portuguese colonial authorities and later transferred to Mozambican ownership, the dam has huge turbines that generate enough electricity to power millions of homes and businesses in South Africa and the surrounding region.

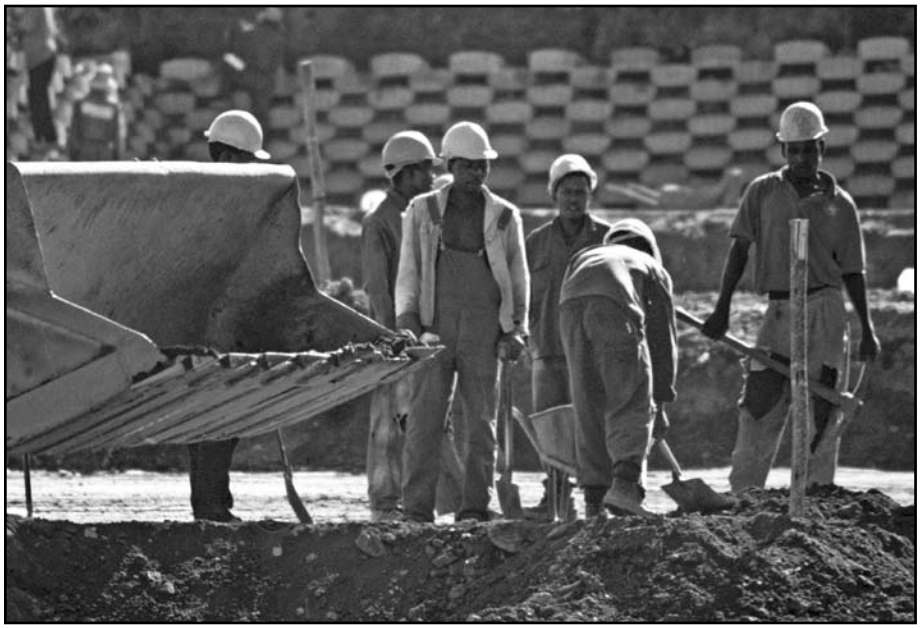
Thousands of kilometres away in rural Mali, meanwhile, a woman cuts a trench in a low earthen barrier with a practiced swing of her hoe, allowing water from the shallow pond behind it to trickle between her neat rows of millet and beans. When enough water has reached her crops she will plug the gap with a few handfuls of mud and dirt and go on about her chores.

Both the giant power station and the simple irrigation system are examples of infrastructure: the roads, ports, power, water and sanitation systems, telephone lines, radio and television transmitters and, more recently, mobile phone networks that make economic growth and development possible.

But by almost any measure, Africa lacks the infrastructure to meet the basic needs of its population and reduce poverty. Those needs are enormous. Hundreds of millions of Africans lack even the most fundamental amenities, from rural roads to basic health, education, banking and commercial services.

The lack of infrastructure is most severe in Africa's long-neglected rural areas, where the majority of the continent's 920 million people live. The burden falls most heavily on women, who often spend hours collecting wood for cooking and heating in the absence of electricity or gas. Rural women walk an average of 6 kilometres daily to rivers and springs because they lack piped water and wells. They cannot get harvests to market or take sick children to hospital because of poor roads.

Overcoming the continent's infrastructure deficit is at the heart of Africa's development plan, the New Partnership for Africa's Development (NEPAD). The blueprint, adopted by African leaders in 2001, emphasizes regional planning for new infrastructure projects with the goal of allowing goods, people and information to move efficiently and freely throughout the continent.



africanpictures.net / Guy Stubbs

Building a highway in South Africa: The lack of more modern roads, power networks and other infrastructure hampers Africa's economic development.

Gaps and shortfalls

"The infrastructure gap is enormous," African Development Bank (ADB) President Donald Kaberuka confirmed to reporters covering the UN General Assembly's 22 September special meeting in New York on Africa's development needs (see page 16). With African economies growing at an annual rate of 5 per cent or more, he continued, "we are all running behind," as demands on the region's existing infrastructure increase. "This is hampering [greater] economic growth across the continent," he continued, referring to the fact that many economists believe African economies need to grow 7 per cent or more every year to significantly reduce poverty.

Detailed studies of the state of Africa's infrastructure by the ADB, the World Bank and the donor countries' Infrastructure Consortium for Africa (ICA) have found that:

- fewer than one in five people in poor African countries have electricity
- only 56 per cent drink clean water
- barely a third of rural Africans live near a road
- just 4 per cent of Africa's farmland is irrigated
- over 60 per cent of the population lacks basic sanitation facilities.

Not only does sub-Saharan Africa's existing infrastructure fall short of its needs, notes a detailed new World Bank study called the Africa Infrastructure Country Diagnostic (AICD), it lags well behind infrastructure development in other poor regions. Africa has only about 25 per cent of the paved road per kilometre found in other low-income regions and about an eighth of the electricity-generation capacity per person. Poor maintenance has left much of the existing infrastructure in disrepair, further hindering economic growth and discouraging new investment.

Adding 'economic distance'

The poor state of transport and communications, Mr. Kaberuka said, adds what he described as "economic distance" to African trade. High transit costs caused by infrastructure problems make the continent's exports less competitive on world markets and its imports more expensive for consumers.

The ICA, whose members include the Group of Eight industrialized countries, multilateral development institutions and the Development Bank of Southern Africa, estimates that poor road, rail and harbour facilities add 30–40 per cent to the cost of goods traded among African countries. The expense of moving Africa's imports to customers inland is on average 50 per cent higher than shipping costs in other low-income regions.

Another study, by the UK government–sponsored Commission for Africa, estimated that transportation bottlenecks and inefficiencies amount to an 80 per cent export tax on Ugandan textiles, making them far less competitive on world markets, discouraging greater investment in the sector and slowing job creation. The lack of modern storage and marketing facilities is a major contributor to food insecurity, with losses to spoilage accounting for as much as 30–40 per cent of grain harvests in some countries.

The result, notes UN Secretary-General Ban Ki-moon in his report to the 22 September General Assembly meeting on Africa, is that despite the continent's abundant natural resources, "Africa's potential is far from being fully harnessed."

Closing the gap

Closing the infrastructure gap is therefore vital for Africa's future. But the price tag will be high. The Secretary-General's report calls for more than $52 bn a year in public and private investments to close Africa's infrastructure gap by 2010. According to the UN, donors need to provide about $38 bn per year for:

- energy — $20 bn
- transport — $11 bn
- water and sanitation — $5.7 bn
- information and communications — $1 bn.

The AICD study puts the figure higher, at about $75 bn a year, almost equally divided between the cost of new construction and of operation and maintenance. Inadequate maintenance and mismanagement of existing infrastructure, the study found, are nearly as serious a problem as the need for additional capacity. About a third of Africa's existing infrastructure needs repair or renovation, and the percentage is even higher in rural areas and in countries recovering from war. Such deterioration is partly caused by underfunding for maintenance, the study states, "and over time represents a major waste of resources," given the high cost of repairs compared to that of routine maintenance.

Administrative mistakes contribute to the problem, the World Bank found. African power and water companies collect only between 70 and 90 per cent of

A difficult legacy for Africa's infrastructure

The sad state of African infrastructure has numerous causes, including the lingering effects of colonialism. "Newly independent countries inherited, in most cases, inadequate and outward-oriented infrastructures designed largely to serve the metropole" instead of the development needs of the new states, the African Development Bank observed in a 2006 report on infrastructure financing. In the years following independence, many African governments sought to build on this meagre legacy, but their efforts were hampered by weak planning and management capacity, inadequate financing, corruption and a lack of regional cooperation.

A World Bank researcher told *Africa Renewal* that the infrastructure Africa inherited from the colonial days was too often oriented towards moving minerals and other raw materials to the coast for export, rather than linking African states together. But the researcher also noted that those transport corridors still carry the bulk of Africa's commercial traffic, reflecting the low levels of trade among African countries and the subcontinent's reliance on international markets for its imports and exports.

Colonialism's greatest impact on African infrastructure development, the researcher continued, may have been the political fragmentation of the continent into dozens of small states. "A lot of infrastructure is only cost-effective and efficient on a large scale. When you have a lot of small countries and national boundaries involved, it can hamper investment in new construction and raise operating and maintenance costs." Efforts to develop Africa's numerous rivers for power generation, human consumption, farming and transportation were particularly affected by the large number of countries involved, the researcher observed, as were plans to develop regional instead of national electricity grids.

Donor-supported structural adjustment and privatization policies further set back infrastructure development during the post-independence period, says the UN Conference on Trade and Development (UNCTAD). African investment in transport infrastructure, UNCTAD notes, "has been squeezed during the past 20 years as a result of sharp cuts in public spending under structural adjustment programmes." Although the damaging economic and social impacts of Africa's infrastructure deficiencies were widely recognized, both African and donor investment in infrastructure dropped during the 1980s and 1990s. "This was a policy mistake," the UK government–sponsored Commission for Africa declared in a 2005 report, and was based on the assumption that private investors would finance Africa's infrastructure requirements.

"There was a kernel of truth in the argument that the private sector should become more involved in infrastructure development," the World Bank expert explained. "But it was taken to a ridiculous extreme. There was a view that the private sector could take care of everything and the state and the donors could step back." Private investment in infrastructure in Africa, the researcher continued, "happens on a spectrum, with information and communications technology at one end, and water and sanitation — with almost no private involvement — at the other."

"Government deregulation of African telecommunications did allow the private sector to step in, tapping a new source of funding as large as development aid," the Bank's researcher said. "That's all to the good. But the major needs will depend on the public sector for finance."

their bills. Household surveys in some countries have found that 40 per cent of customers do not pay for water and power. That figure tops 65 per cent in a few places.

Technical problems add to waste. Africa's electric power grid, for example, loses twice as much electricity during transmission as do more modern systems, and those losses can equal 2 per cent of GDP annually. Overall, the Bank estimates, underpaid bills and waste by public utilities cost African taxpayers $6 bn annually, because it is they who must make up the shortfall.

Electric power infrastructure is in particularly desperate shape. According to the World Bank, the whole of sub-Saharan Africa generates only as much electricity as Spain. This is about a tenth of the amount generated per person as in other developing regions. The AICD estimates that losses to businesses from power failures equal 5 per cent of sales every year. Losses can be four times as high in the informal economy, which employs more Africans than any line of work except agriculture.

Africa pays its way

Paying for Africa's infrastructure needs is another challenge, although the AICD study found that current levels of investment, while insufficient, are not as low as expected. One big surprise, a World Bank researcher familiar with the AICD study told *Africa Renewal* in October, is the amount of money coming from Africa itself.

Local financing contributes $35 bn a year — two thirds of the roughly $50 bn being spent on African infrastructure in all. Overseas funding accounts for about $13 bn a year, with official development assistance (ODA), private investment and aid from non-traditional sources, particularly China, each accounting for about $4 bn annually.

Most African financing for new infrastructure comes from national government budgets and is concentrated in the energy, water and sanitation and transport sectors. These can be among the most expensive items in the budget, often amounting to 6–8 per cent of GDP. Operating and maintenance costs are generally financed with fees paid by users.

Associated Press / George Osodi

A Nigerian worker digs a trench for a telecommunications cable for a Chinese company in Lagos: China is emerging as a major foreign investor in African infrastructure projects.

Among Africa's traditional Northern donors, the AICD researcher said, "the multilateral development institutions, the World Bank, the African Development Bank and the European Commission supply a very high percentage of the ODA that is going for infrastructure in Africa — upwards of 70 per cent. The bilateral donors don't play so large a role."

After a long period of decline, multilateral funding for infrastructure in Africa has begun to rise, reaching $8.8 bn in 2007, a $4 bn increase from 2005 (see table, page 15). Chinese assistance, an important new source of infrastructure finance in Africa, is going mostly to energy and railway development in oil-producing countries. Private investment is almost entirely in the booming information and telecommunications industries and a few "niche" sectors like ports and container terminals.

Donor finance is far more important for countries struggling to rebuild after conflicts and natural disasters, the AICD researcher emphasized. Governments in those countries usually lack the resources to pay for reconstruction, and political instability and damaged economies make it hard to attract private investors. "They are in such a difficult situation. They have a tremendous need to rebuild and expand, yet their economies are so small. They should be prioritized for international support. It's a huge challenge."

Room for improvement

As important as it is to increase the comparatively low levels of infrastructure financing by outside donors and the private sector, the AICD argues, merely improving African governments' ability to manage their infrastructure budgets would release billions of additional investment dollars. There is much room for improvement. In some countries, the study notes, more money is earmarked for specific sectors than is needed. This can lead to too much building in some areas, while pressing needs in others go unmet. Such "excess expenditure" is estimated at $8 bn a year, a fourth of what African countries spend on infrastructure.

Weak project planning and management capacity is another challenge, with some government ministries able to spend only about two thirds of their allocated infrastructure budgets in any given year. This can slow the pace of new construction and reduce the amount of money devoted to infrastructure, because unspent funds are often directed to other programmes. If ministries were able to spend their infrastructure budgets effectively and in full every year, the study estimates, an additional $3 bn would be available annually

without additional burdens being imposed on African taxpayers.

The study also calls for African governments to improve their infrastructure policies and regulations to expand public access and attract wider investment. Deregulation of Africa's telecommunications markets, for example, triggered a surge in private investment, which has fuelled the impressive growth of this sector. The AICD report also noted that government subsidies and fee structures for water and electricity tend to favour urban dwellers and the better off, restricting access to basic services by the poor and reducing incentives for expansion.

The study found that even in areas where electricity, piped water and sanitation and telephone services are available, "a significant percentage of households remain unconnected," suggesting that hook-up charges and user fees are too high. Between 1990 and 2005, the World Bank reports, the percentage of African households connected to existing power and water utilities remained stagnant. Increasing user charges on those able to pay more and changing connection charges and subsidies to benefit the poor, the study concluded, is another way for Africa to get more from its infrastructure dollars.

NEPAD sets regional priorities

Meeting Africa's infrastructure needs is at the heart of the African Union's development framework, the New Partnership for Africa's Development (NEPAD), which promotes good governance and economic policies that foster rapid and sustainable growth, poverty alleviation and better integration into the global economy. NEPAD's $8 bn Short-Term Action Plan for infrastructure includes 20 priority projects designed to lay the foundations for an integrated African economy and attract medium- and long-term investments to close the continent's infrastructure gap. Those priorities include:

- a West African gas pipeline to transport Nigerian natural gas to neighbouring countries to fuel electric power plants
- modernization and expansion of container-handling facilities at the strategically important Kenyan port of Mombasa
- the Nile Basin Initiative to strengthen regional cooperation and management of the river, which flows through 10 countries and is the world's longest
- improvement of the ability of Africa's regional economic communities to plan and manage the development of infrastructure involving more than one country.

NEPAD puts regional integration at the centre of its ambitious infrastructure blueprint. It calls for investing in regional agriculture, power, water, transport and information and communications systems. This will foster intra-African trade, create economies of scale for investment and trade, reduce high transport and communications costs and enable the free movement of people and goods across Africa's many borders.

NEPAD's emphasis on regional integration, said the AICD researcher, is vital if the continent is going to achieve the markets needed for efficient infrastructure development and continued economic growth. "A lot of infrastructure is only cost-effective if it is done on a large scale. When you have a lot of small countries dividing up limited resources, you produce underinvestment, inefficient and expensive services and needless duplication."

Overcoming the huge gap between the need for electric power and what is currently available, the study contends, can only be done through regional planning. Twenty-one of sub-Saharan Africa's 48 countries operate national power systems that are too small to be efficient. As a result, operating costs in those countries average 30 cents per kilowatt hour compared to 10 cents per hour in countries with larger power grids.

Although Africa has abundant potential for hydroelectric power, some 60 per cent of those resources are found in just two countries, the Democratic Republic of the Congo and Ethiopia. But those countries' economies are too small to use the large amounts of power that would have to be generated to justify construction costs. Only regional power markets would be big enough to do that.

Rising external financing for African infrastructure

aid and loans, $ bn

	2005	2006	2007
Group of Eight	2.5	1.9	3.6
Multilateral*	4.8	5.8	8.8
Total	***7.3***	***7.7***	***12.4***
China (estimates)	1.5	7.0	4.5

*African Development Bank, World Bank, European Commission, European Investment Bank, Development Bank of Southern Africa

Source: UN Africa Renewal from ICA and World Bank data

Flexibility

NEPAD's practical, bottom-up approach to infrastructure development is another plus, the AICD analyst said, because it allows countries and regions the flexibility to set their own priorities within long-term regional plans. "One size really doesn't fit all. One needs to see what is really driving national and regional economies and what infrastructure investments can really open up those economies." NEPAD's Spatial Development Programme does just that, the analyst continued, identifying existing "corridors" of economic activity, such as heavily used transport routes or productive agricultural districts, where targeted investments can deliver the greatest payoff.

With Africa's transport networks, the AICD expert explained, it may make the most sense to focus initially on improving infrastructure in the high-traffic colonial-era corridors to the sea, rather than on building expensive new roads and power systems to expand intra-African trade.

The problem with that approach, critics reply, is that it is likely to strengthen Africa's reliance on external trade at the expense of regional commerce and the potentially high growth rates that expanded trade within Africa could generate.

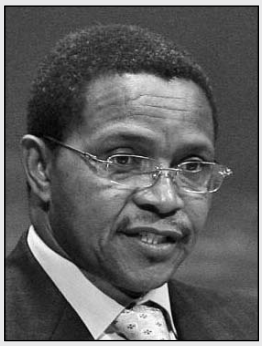
The good news, the ADB's Mr. Kaberuka concluded at his UN press conference, is that after years of neglect and delays, "we are putting a lot of emphasis on infrastructure..... It is important for agriculture. It is important for education. It is important for health. It is important that we shorten the 'economic distance' in Africa." ■

Africa calls for a 'new impetus'

UN General Assembly debates continent's development needs

On 22 September, the UN General Assembly held a special high-level meeting devoted exclusively to Africa's development needs. It featured the participation of 29 heads of state and government, along with other representatives of African, developing and donor countries, bilateral and multilateral agencies and business and civil society organizations. The meeting's final declaration included a reaffirmation by donor countries to increase their development assistance and other forms of support for Africa's efforts (see* Africa Renewal*, October 2008). Here we provide excerpts from several of the key addresses.

Jakaya Kikwete, *chairperson of the African Union (AU), president of the United Republic of Tanzania*



UN / Marco Castro

Jakaya Kikwete: "We are determined to wrestle ourselves out of our predicament."

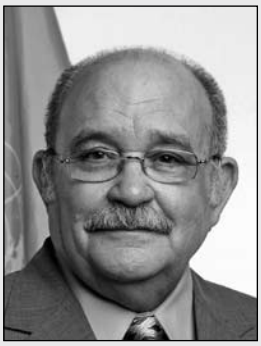
The list of Africa's development needs is long, from provision of basic social and economic services to ensuring food security and increasing people's incomes through transformation of the productive sectors.... Unfortunately, because of its lower level of development, Africa does not have sufficient resources to pull itself out of the poverty trap....

One good thing about those facts is that all of us in the international community and on the continent recognize Africa's acute resource constraints. We also know that African governments have been taking measures to tackle the development challenges using the few resources available to them. Another good thing is the fact that the international community has been generous enough to assist African nations with resources to complement their efforts. Unfortunately, the resources being committed and made available are not sufficient to lift Africa out of the poverty trap quickly.

I would like to take this opportunity to express Africa's disappointment at the failure of the developed nations to honour their commitments to provide resources to deal with the challenges of Africa's development. Allow me to use this forum today to call for a new impetus in meeting those commitments. It is the historic duty and a moral obligation of the developed nations to help the needy in Africa; it is not a question of charity....

Africa is not a hopeless case. We are not desperate, nor have we resigned ourselves to a state of helplessness. We are determined to wrestle ourselves out of our predicament. All we are saying is that we need the support of the developed members of the international community to complement our efforts. We thank our development partners for the invaluable support extended to us over many years, but much more needs to be done. That is all we are asking. It can be done; let us all play our part.

Miguel d'Escoto, *president of the General Assembly*



UN / Mark Garten

Miguel d'Escoto: "I call upon the world's rich countries to redouble their efforts."

Africa has undeniably made considerable democratic advances with the holding of elections and the establishment of elected governments all across that fair continent. I would especially like to welcome the establishment of the African Union in 2000 and the launching of the New Partnership for Africa's Development [NEPAD], which were undoubtedly milestones in Africa's history and in the empowerment of its own political, economic and social development process.

Africa's challenges are indeed still enormous. Brave as its nations may be — and we know that they are — Africa cannot move ahead on its own. The African countries' gains in terms of economic growth are real, but they must be decisively strengthened through concrete actions, such as the provision of more substantial external debt relief. The relative progress made in that area cannot obscure the unfair conditionalities that the Bretton Woods institutions and creditor countries continue to impose. Those conditionalities have the perverse effect not only of preventing the effective implementation of poverty-reduction programmes, but also of eroding the living conditions of tens of millions of people, driving them deeper into the poverty from which those institutions were supposed to save them....

I therefore call upon the world's rich countries to redouble their efforts to bring official development assistance — which dropped from 0.33 per cent of gross domestic product in 2005 to 0.28 per cent in 2007 — closer to the [2002] Monterrey commitment of 0.7 per cent. I wish to remind members that that goal was first proposed by the Assembly itself in 1970. In the same vein, given the current levels of disbursement, I ask the members of the Group of Eight, with all the force of my position as president of the General Assembly, to deliver on the pledge they made at Gleneagles in 2005 to double official development assistance for Africa by 2010.

Nicholas Sarkozy, *president of France*

Africa is on the move once again. The continent has found its way back to the path of growth. Since 1994, its average annual growth has been nearly 5 per cent.... However, that economic growth remains very abstract for a majority of Africans. A statistical reality, it is not yet an everyday reality for Africa's populations. Indeed, the African continent faces many challenges, including the food crisis and the effects of climate change.

UN / Mark Garten

Nicholas Sarkozy: "We Europeans know that development assistance to Africa is first and foremost an investment in our common future."

Europe wants to be involved alongside [Africa].... But let this be quite clear: The aid that Europe has agreed on for Africa is not simply from the heart; it is entirely rational, because we Europeans know that development assistance to Africa is first and foremost an investment in our common future. The globalized world needs a developed Africa. The European Union, a direct neighbour of the continent of Africa, needs a developed Africa.

What would be the use of working towards security and stability for Europe without at the same time seeking to bridge the existing development gap between Europe and Africa? It would be a delusion to envisage Europe's prosperity without working at the same time for the emergence of a major economic partner, located 14 kilometres from the European coast, whose population in 2030 will be greater than that of India or China. It is a delusion to seek world food security without making the most of Africa's agricultural resources so that it can feed itself, first and foremost, but also help to feed the world.

Jean Ping, *chairman, African Union Commission*

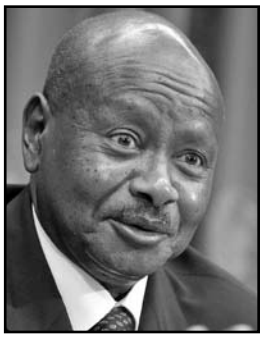
UN / Mark Garten

We Africans are primarily responsible for Africa's development. Carrying out the agenda for Africa is first and foremost up to us. We intend to take full responsibility for it. It is that very spirit of ownership that led African leaders to establish the New Partnership for Africa's Development (NEPAD). The African Union is resolutely implementing that initiative, for which it has established a funding strategy and identified specific projects. NEPAD and the African Peer Review Mechanism reflect the continent's desire to take control of its own destiny....

We all know that political stability on the continent would facilitate the mobilization of the resources needed in our tireless fight against poverty. We all know that peace and security are necessary for sustainable development. The African Union has not hesitated to move ahead with the establishment of its peace and security structures....

At a time when general mobilization is needed to meet new challenges such as the food crisis, the energy crisis, climate change, the digital divide and others, we need to stand together, overcome our differences and emphasize dialogue and the sharing of responsibilities, skills, successes, benefits and, above all, the satisfaction of having fulfilled our duty and nobly served our peoples.

Yoweri Museveni, *president of Uganda*



UN / Mark Garten

In the 1960s Africa missed the boat because of two mistakes, in my opinion. Mistake number one was some anti-private-sector attitudes by some of the governments — that was one problem. Second problem was the failure to go for export-oriented growth. Some of the countries were engaged in what they used to call import substitution, and yet the African economies are small, so if you only aim at positioning for the internal market, you are not going to go very far.

By the time we woke up and changed to private sector-led growth, the economies of Eastern Europe had been opened up. The big economies of China, the big economies of India had been opened up and they have attracted more investments than our own small markets. We are now doing the right thing by encouraging regional integration. This is good. This is a real answer.

Marc Ravalomanana, *president of Madagascar*

UN / Michelle Poiré

We need an agricultural revolution across Africa, one that will significantly boost farm productivity and incomes for the poor, while safeguarding the environment, one that will help millions of small-scale farmers lift themselves out of poverty and hunger.... The UN together with other donors should increase the provision of financial resources and technical expertise to all our countries to speed up and support this agricultural revolution....

Besides finances, the lack of capacity is the main hurdle in the way of our development. This stresses the importance of education.... We should reinforce and enhance our efforts to reverse the brain drain and to stem the outward flow of skilled professionals from developing countries.... We need to help motivate these women and men to dedicate their talents to the development of their home countries. ■

Global shockwaves

from page 5

Minister Trevor Manuel said in October. "Whether you can smooth out the gyrations is the test of the quality of fiscal policy." Because the government spent cautiously during the years of high mineral prices, he explained, it is now in a better position to weather the current storm.

UN / B. Wolff

Picking tea in Tanzania: Africa hopes that reforms in the global financial system will take into account the interests of the poor countries, not just the better off.

Oil and food

For a number of major African oil producers, such as Nigeria, Angola and Algeria, high world oil prices delivered a boom in foreign earnings. But as global demand for oil slackened, its price fell by more than half in just three months, upending expenditure plans that were based on much higher prices. Even if oil-exporting countries reduce production, the IMF projects that through 2009 oil prices will remain only moderately higher than their current levels.

For Africa's many poor oil-importing countries, that is good news. They will not have to spend as much of their scarce money on costly fuel imports, leaving more for domestic investment and other purposes.

Many of these countries were also hit hard by high prices for imported cereals during the first months of 2008, setting off widespread protests and rioting by hungry citizens (see *Africa Renewal*, July 2008). Although world grain production has been strong, contributing to a slight fall-off in international prices, those lower prices have not yet been felt by consumers in Africa's poor food-importing countries, the UN's Food and Agriculture Organization (FAO) noted in November in its biannual *Food Outlook* report.

And because of the current global economic uncertainties, many farmers in major food exporting countries elsewhere in the world may reduce their plantings, warns Concepción Calpe, one of the FAO report's main authors. "There is a real risk that as a consequence of the current world economic problems people will have to reduce their food intake and the number of hungry could rise further," she says.

Aid in jeopardy?

On 22 September, just as the Wall Street crash began spreading worldwide, the UN General Assembly held a high-level meeting in New York on Africa's development needs. Leaders from Africa appealed to donors to live up to their earlier pledges to significantly increase foreign aid to Africa, and many of the rich donor countries reaffirmed their commitment to do so (see page 16 and *Africa Renewal*, October 2008).

As the crisis worsened, many African leaders voiced concerns. "We fear," said Kenyan Prime Minister Raila Odinga, "that as the economies of our main donor partners are affected, the first victim is going to be aid.... We know that they must look at some areas where they will make some savings, and we fear the first area will be development assistance."

Such concerns were bluntly reinforced by French Foreign Minister Bernard Kouchner. Commenting on donor pledges to increase aid to help poor countries achieve the Millennium Development Goals, he repeatedly stated in New York in late September, "Promising to get people more money for development? This is not true. We are lying."

A month later a French non-governmental group, the Comité catholique contre la faim et pour le développement–Terre Solidaire (CCFD), warned that French officials were considering cutting aid payment authorizations in the 2009 budget by more than half. In a subsequent meeting with the CCFD and other French charities, Alain Joyandet, secretary of state for cooperation, denied that such drastic cuts were envisioned and vowed that most of France's health and education projects in sub-Saharan Africa would be maintained.

On the eve of an international conference on "financing for development" in Doha, Qatar, on 29 November–2 December, UN Secretary-General Ban Ki-moon noted, "The vast sums committed to bailing out banks and private companies dwarf ODA [official development assistance]. Surely we can find the much more modest amounts needed to sustain more than a billion lives." At the conference, donor countries did in fact reaffirm their commitments to increase aid to the poorest countries.

Remittances stall

Private financial flows to Africa have also been affected. Migrant remittances — the money sent home by those working abroad — had been growing rapidly in

recent years, reports Hania Zlotnik, director of the population division of the UN's Department of Economic and Social Affairs. Citing World Bank data, she notes that remittances to all developing countries increased by an average of 17 per cent annually between 2002 and 2006, although in 2007 the growth in remittances slowed to around 10 per cent.

Now anecdotal evidence from a number of African countries, such as Senegal and Kenya, suggests that such flows are declining significantly. In 2007 Kenya received about $1.3 bn in remittances, more than it normally gets in foreign aid. But in August remittances were already 38 per cent lower than during the same month the year before. With between 750,000 and 1 million Kenyans working in the US and another 200,000 in the UK, rising unemployment in those economies will make it even harder to send money to relatives back home.

In France many African migrant labourers are employed in construction. But some industry executives predicted in October that as many as 180,000 building jobs may be lost in that country.

Associated Press / Dominic Lipinski

Kenyan Prime Minister Raila Odinga: "As the economies of our main donor partners are affected, the first victim is going to be aid."

'Credit crunch'

Commercial credit has also become scarcer — and thus more costly. Across Africa, governments and local companies have been gearing up to build and improve roads, railways, ports and other infrastructure vital for the continent's development (see page 12). While some funds have been from public sources, including governments and the African Development Bank and World Bank, the bigger projects have typically entailed some commercial borrowing as well.

When the South African government wants to build a new toll road or purchase locomotives for its railways, notes Tom Boardman, the chief executive officer of that country's Nedbank, it usually goes to US or Japanese banks. "Now," he explains, "these international banks aren't lending anymore, so I'm not sure South Africa will be able to get all the funding it needs."

South African authorities remain determined to continue their ambitious infrastructure development plans — in part to help stimulate the domestic economy — and indicate that they will seek to raise more of the needed financing from local banks than before. But the international "credit crunch" means that all borrowing will be more expensive — adding to the future debt burdens that South Africa and other countries will be obliged to take on.

Foreign investment

As a percentage of all foreign direct investment (FDI) globally, Africa's share (3 per cent) has remained the lowest in the world. But in absolute terms the value of such flows to Africa is significant, and has been rising sharply. According to estimates by the UN Conference on Trade and Development (UNCTAD), Africa's inflows of FDI jumped from just $17–18 bn in 2003–04 to $53 bn in 2007, their highest level ever (see graph).

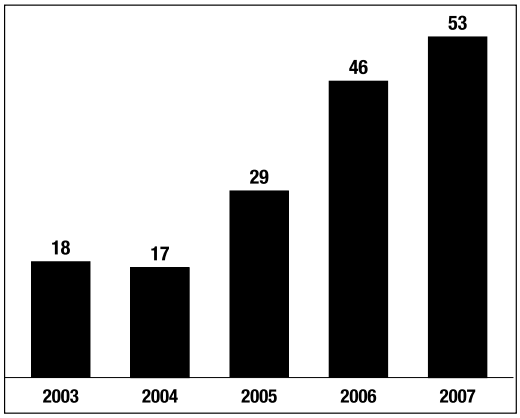
Much of this surge was a result of the commodities boom, UNCTAD notes in its *World Investment Report 2008*, released in September. Oil producers, which traditionally have received most new foreign investments in Africa, remained the greatest beneficiaries. But, emphasizes UNCTAD, other countries also attracted investors to their financial services and telecommunications sectors, new mining projects and, to a lesser extent, manufacturing. Africa's least developed countries accounted for more than $10 bn of FDI inflows in 2007.

A number of African analysts worry that the global crisis will seriously weaken foreign investment in Africa, and work on new mining projects in a number of countries has already been delayed. Mozambique's Foreign Minister Oldemiro Baloi fears that a global recession will lead foreign investment to his country to "dry up." In October, the Ghana Investment Promotion Centre warned that the last quarter of 2008 will likely be "tough" for that country's investment climate.

On the bright side, however, Africa has some advantages to offer. According to UNCTAD, the rates of return on foreign investments in the continent were the highest of any developing region's in 2006 and 2007. By improving their policies and investment climate, a number of governments have also succeeded in countering common investor perceptions that Africa is a poor gamble because of its political insecurity, high rates of disease and limited infrastructure.

With the prospects in many of the world's more advanced "emerging markets" now increasingly volatile and uncertain, some investors are starting to look at Africa in a new light, analysts report. Africa no longer seems such a risky bet. ■

Foreign direct investment
inflows to Africa, $ bn



Source: UN Africa Renewal, from data in UNCTAD, World Investment Report 2006, 2008.

Out of crisis

from page 7

to protect their domestic industries at the expense of other economies. They urged donor nations to maintain foreign aid programmes for poor countries.

Specifically in response to the current downturn, the G-20 recommended that governments take a more active role in putting up public money to stimulate recovery. When IMF Managing Director Dominique Strauss-Kahn was asked where large stimulus programmes should be attempted, he replied, "Everywhere it is possible."

. . . and doctrines

For many African analysts, this recent emphasis on the role of governments in overcoming market failures seems to mark a further erosion of the dominant approach of the IMF, World Bank and donor agencies. Over the past few decades, those institutions have obliged many African governments to liberalize their markets and carry out sweeping cutbacks in public spending.

The outcomes of those policies have often been disastrous, noted the internationally renowned economist Joseph Stiglitz. In developing countries, "capital and financial market liberalization has often not brought the promised benefits of enhanced growth, but has increased instability," he told a panel on the global financial crisis in late October organized by UN General Assembly President Miguel d'Escoto. The current crisis, Mr. Stiglitz added, should provide an opportunity to reassess "prevalent economic doctrine."

Similar views have been expressed by members of the incoming US administration of President-elect Barack Obama. According to Lawrence Summers, appointed to head the advisory National Economic Council, "The pendulum will swing — and should swing — towards an enhanced role for government in saving the market system from its excesses and inadequacies."

Whatever the particular mix of policies and institutions that emerge from the current crisis talks, the specific concerns of poor Africans must not be forgotten, argue former UN Secretary-General Kofi Annan, former IMF Managing Director Michel Camdessus and former US Treasury Secretary Robert Rubin, who are members of the Africa Progress Panel, an advocacy group.

Similar ideas for reforming global economic management were previously raised after the Mexican and Asian financial crises of the 1990s, they noted in a joint statement in October. "That moment of opportunity to put in place a robust global regulatory system was lost; let us not lose this one." ■

Small loans

from page 9

Behind schedule

Despite the growing volume of private and donor finance entering the sector in Africa, "microfinance in Africa is at least five years behind schedule, compared to South Asia or Latin America," Sasidhar Thumuluri, an analyst for MicroVest, told an investment publication. The biggest bottlenecks, he said, are "poor infrastructure, weak institutions, lack of financial and human capital."

However, he added, "recent positive changes such as establishment of democratic institutions, reverse migration of qualified professionals and improving governance in countries like Ghana are attracting greater investor interest."

Ms. Katzin notes that for initiatives such as those of Shared Interest to succeed, "there is a need for a formal banking system that has sufficient capital and is able to work with international letters of credit." Success will be difficult, she told *Africa Renewal*, "where regulatory environments are not conducive."

Another concern is default. Ms. Katzin argues that technical assistance is critical for clients experiencing problems, to help them perform better and reduce the risk to investors. By providing such assistance, Shared Interest has kept loan defaults to 3.2 per cent.

To further secure investor money, Shared Interest has also set up a loss reserve fund. "We are not avoiding risk," says Ms Katzin. "We are managing risk. If people fail to pay, we use our reserve fund to make up for the difference. Until now, no investor has lost a penny of principal."

Too poor for loans

Not all people are ready for credit, Ms. Katzin acknowledges. Some are so poor that taking out a loan could further mire them in debt and poverty instead of helping. Because such groups are extremely vulnerable, donors must continue to provide support in the form of grants. "There are some countries where you would not recommend a loan scheme, because poverty is so entrenched," she explains. "In such places, you need grants first, to get people on their feet, before graduating to other forms of capital."

Mr. Mwangi agrees. "You have to help households meet their livelihood costs first. Then you see children staying in school longer and the health status of the family improving. It is only then that the family can be able to save and also consume more."

Once a family is able to save, Mr. Mwangi believes, microfinance can then serve to help the family reach higher goals, such as using credit to create and expand an enterprise. "It is at that point that you start having economic growth." ■

Banking on women

from page 11

or livestock. But that puts them at risk of losing everything if weather or other circumstances change. "Individually, they do not qualify for insurance. But when they fall ill or lose their crop, they are basically disabled."

Regular insurance companies cannot service clients who have small premiums, since the costs of administration often exceed what the individual pays. But once Equity Bank took on that administrative cost and collected the tiny amounts, the sums totalled over $20 mn annually. By acting as the collecting agent, Equity Bank not only saved the insurance companies the risks and costs of collecting small premiums and earned a commission in the process, but also ensured that its clients got the insurance they needed. ■

Trading from Cape to Cairo

Regional groups aim to expand trade within the continent

By ***Mary Kimani***

In October 2008 leaders from East and Southern Africa agreed on plans to form the largest free trade area in the continent. The new entity would be made up of three existing regional groupings — the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern African Development Community (SADC).

Speaking at an economic summit in Kampala, Uganda, Kenyan President and COMESA Chairperson Mwai Kibaki emphasized that the move is being made in response to the new global challenges Africa faces. "We realized that by themselves, our individual countries were not equipped to compete on the global marketplace and our markets were too small to attract serious investors," he said. "We have now come to a point where it is evident that our regional economic groupings must come together to craft a trading bloc that reflects the new dynamics."

Associated Press / Themba Hadebe

South African President Kgalema Motlanthe : "The time has come to enlarge our markets."

The new trading region will have a membership of 26 states, stretching from Southern Africa up through Egypt. Those countries have a combined gross domestic product of $625 bn and a population of 527 million. The leaders hope that the new arrangement will encourage more trade among the countries, provide them with a better bargaining position in international trade negotiations and attract bigger investments.

Increasing trade

Trade among some of these countries has already been growing. Trade within the EAC — Kenya, Uganda and Tanzania — grew from $778 mn in 2004 to over $1 bn in 2006. Similarly, trade within COMESA stood at $7.8 bn in 2007, up from $4.5 bn in 2002.

Despite such growth in these regions, World Trade Organization statistics show that in 2006 trade among countries in Africa as a whole amounted to only 8.9 per cent of their total exports. Meanwhile, 51.2 per cent of all Asian exports went to Asian countries, while 24.3 per cent of those in South and Central America stayed within that region.

The World Bank cites poor infrastructure, customs barriers and high import duties as significant hurdles to more trade within Africa. Although average duties on imports from within Africa have fallen from 21 per cent of their value to about 17 per cent since 1997, they remain higher than general tariffs in Asia. Roads are few and in poor condition, while those that exist tend to link resource-rich areas to ports, often making it easier to export overseas than to neighbouring African countries (see article, page 12).

Regional integration — closer ties among African economies — can help overcome such obstacles, according to Josephine Ouédraogo, then acting deputy executive secretary of the UN Economic Commission for Africa. "We need to strongly rethink our strategies for development," she said at a 2007 regional cooperation meeting, "and use regional integration to promote and strengthen the current low levels of intra-African trade."

The weak capacity of African economies hinders trade outside the continent as well. Africa's share of the world market has fallen drastically, from 10 per cent in the 1960s to 2 per cent in 2000. In contrast, Asian and Latin American market shares and trade earnings rose as those regions shifted from selling primary goods (such as coffee beans or iron ore) to selling finished or semi-finished products. But many African countries have small populations, with few highly skilled workers and limited access to the capital needed to develop the capacity to manufacture more valuable products for export.

Policy challenges

Another obstacle is that the three regional groupings are at different levels of integration and follow different trade rules. And because some countries belong to more than one grouping, they often face conflicting obligations.

A single free trade area would need to solve such problems. Once such an area is established, capital goods from all countries will be traded freely without import duties. However, the three blocs will need to set new duties for manufactured goods and standardize them. They will also have to align their customs and border rules.

Other concerns include the potential loss of revenue by smaller economies that trade relatively little, but that still rely heavily on import duties for income. Besides undercutting such revenues, the removal of trade barriers could also lead to local producers in smaller economies getting squeezed out by large quantities of cheaper manufactured goods from bigger economies, such as those of Egypt, Kenya and South Africa. An expert group will look at how these issues can be resolved as part of work on a "road map" for implementation that will be presented to heads of state in six months.

At the Kampala meeting, South African President Kgalema Motlanthe stressed the importance of working out solutions to all these problems. "The time has come," he said, "for COMESA, EAC and SADC to bring together our respective regional integration programmes in order further to enlarge our markets, unlock our productive potential, increase the levels of intra-African trade and enhance our developmental prospects." ■

Tackling piracy

from page 3

cation in targeting foreign ships."

Successful anti-piracy efforts do exist. Until 2004, the Malacca Straits, a narrow passage through the waters of Malaysia, Indonesia and Singapore, was the world's most pirate-prone region, with 103 attacks that year. The three countries mounted daily joint air and sea patrols, eventually reducing the attacks to just 32 between January and September 2008.

Following a June Security Council authorization for naval powers to conduct similar patrols off Somalia, warships from more than a dozen nations, including NATO and European Union members as well as Russia and India, have taken turns policing the waters. Consequently, successful hijackings fell from 53 per cent of total attacks to 31 per cent between August and October. But the area is too vast — an estimated 6.5 mn square kilometres — to police effectively.

Reuters / Omar Faruk

African Union forces escort a cargo ship released by Somali pirates.

Limited capabilities

African countries themselves lack the resources to contribute to such an effort. They do not "have the money for fuel, never mind the hardware, to run adequate surveillance at sea or port security," argues Chris Trelawny, IMO's chief of maritime security.

To be effective against piracy, Africa's coastal countries would need "effective early warning and intelligence services, credible deterrent and reaction forces … high mobility … and the ability to sustain operations for long periods," says Len le Roux of the South African Institute of Security Studies. Those are precisely the capabilities "sorely lacking in Africa."

Oil-rich Nigeria, in whose waters most piracy in West Africa occurs, has the best navy in the region. But in 2005 its former commander told the local media that "in its present state" it could not protect the nation's territorial waters because it was "ill equipped and underfunded." The waters off Cameroon and Angola are also prone to piracy, but their navies are even less equipped.

South Africa is in a stronger position, and its air force patrols the coast daily. But air patrols can easily miss a ship or the speedboats favoured by pirates. And South Africa does not have a satellite-based security system, which could monitor ships passing within 1,500 km of the coast.

Worse, says Mr. le Roux, regional solutions are lacking. He notes that the African Union's arrangements to establish standby peacekeeping forces do not address maritime threats. Those plans, he says, leave "the impression of an Africa without a coastline or maritime zone, let alone broader maritime interests such as trade and resources."

Regional approach

International cooperation is helping West African countries better handle maritime security. The US and European countries are working with local navies to enhance their capacities and engage in joint policing of territorial waters. Such partnerships are partly driven by the area's strategic interest as an oil-exporting region, as well as concern over the recent use of West African waters by traffickers of cocaine and immigrants to Europe.

But naval training, better equipment and law enforcement will not be enough, says a 2005 report by the UN Office on Drugs and Crime (UNODC). It argues that strengthening the "legitimacy of governments," "tackling corruption" and addressing endemic poverty will be vital in denying criminals an environment favourable to illegal activities. In Somalia, the Chatham House report notes, although piracy has been a problem since the collapse of government in 1991, it almost vanished during the six-month rule of the Islamic Courts Union in 2006. "This indicates that a functioning government in Somalia is capable of controlling piracy," the report argues.

UNODC presented a number of concrete proposals to a December 2008 UN-sponsored meeting in Nairobi on tackling piracy. At the meeting, 40 countries agreed to trace, track and freeze assets of those who back Somali pirates. "Regional cooperation is essential," UNODC Executive Director Antonio Maria Costa said in mid-December.

As well as going after financial flows, the proposed measures call for countries in the region to cooperate in placing law-enforcement officials aboard warships operating in Somali waters and to bring captured pirates to justice in local courts, a system that has been successful in the Caribbean. December's Security Council resolution called on Somalia's neighbours to establish such a network of "ship riders," as the officials are known, and to set up a contact group for gathering intelligence on pirates.

Nevertheless, African speakers at the December Security Council meeting strongly argued that action to tackle piracy must not be taken at the cost of resolving Somalia's broader peace, security and humanitarian challenges. ■

AFRICA AGENDA

26 January – 3 February 2009, Addis Ababa (Ethiopia) — African Union Summit. On the theme "Infrastructure Development in Africa." Fax (251) 11 5511299, e-mail <dinfo@africa-union.org>, website <www.africa-union.org>

4–5 February 2009, Dubai (UAE) — Arab-Americas-Asia-Africa Business Summit 2009. Organized by the Commonwealth Business Council, Dubai Group and the United Arab Emirates in association with the UN Conference for Trade and Development (UNCTAD). Contact Sunayna Sethi, tel (44) 20 7024 8219, e-mail <sunayna.sethi@cbcglobal.org>, website <www.cbcglobal.org>

18–21 February 2009, Gauteng (South Africa) — African Science Communication Conference. Contact Maphefo Chauke, tel (27) 12 392 9300, e-mail <maphefo.chauke@saasta.ac.za>, website <www.saasta.ac.za/2ndascc/>

23–25 February 2009, Mumbai (India) — Redefining South-South Cooperation: Africa on the Centre Stage. Organized by the Centre for African Studies, University of Mumbai. E-mail <conferenceafrica@gmail.com> and <coordinatorconference@gmail.com>, website <www.mu.ac.in>

11–13 March 2009, Chiang Mai (Thailand) — World Biodiversity Congress. Organized by the Century Foundation of Bangalore, India, to help develop an agenda for conserving bioresources. Contact V. Sivaram, fax (91)-80-22961315, e-mail <sivaram900@gmail.com>, website <www.upm.edu.my/WCB2008Thailand.pdf>

12–14 March 2009, Athens, Ohio (USA) — Including Children. Organized by the University of Ohio's Institute for the African Child, provides opportunities to network with colleagues and organizations working on African children. Contact Andria Sherrow, tel (1) 740-597-1368, e-mail <sherrowa@ohio.edu>, website <www.afrchild.ohio.edu/Conferences/>

16–22 March 2009, Istanbul (Turkey) — Fifth World Water Forum. Organized every three years by the World Water Council as the main water-related event globally. Website <www.worldwaterforum5.org/>

21–22 March 2009, Calgary, Alberta (Canada) — Globalization and Human Rights in the Developing World. Organized by the Asia Association for Global Studies. E-mail <aags@asia-globalstudies.org>, website <http://asia-globalstudies.org/>

4–7 April 2009, Amman (Jordan) — Traditions and Transformations: Tourism, Heritage and Cultural Change in the Middle East and North Africa Region. Organized by the Centre for Tourism and Cultural Change, the Council for British Research in the Levant, Leeds Metropolitan University, UK. Website <www.tourism-culture.com/>

4–9 April 2009, Cape Town (South Africa) — Infectious Diseases: from basic to translational research. A joint initiative of the European Science Foundation, the International Council for Science, the Network of African Science Academies and a consortium of European academies. Contact Anne Blondeel Oman, tel (32) 2 533 2024, fax (32) 2 538 8486, e-mail <ablondeel@esf.org>, website <www.esf.org/conferences/09277>

20–24 April 2009, Anchorage, Alaska (USA) — Indigenous Peoples' Global Summit on Climate Change. Bringing together indigenous people to discuss common issues and increase the participation of indigenous people in climate change responses. Contact Patricia Cochran, e-mail <pcochran@aknsc.org> and <info@indigenoussummit.com>, website <www.iccalaska.org/Media.htm>

WHAT HAS TAKEN PLACE

17–19 November 2008, Cape Town (South Africa) — Carbon Markets Africa. A platform for businesses to learn about the latest developments in the field. Tel (44) 207 099 0600, fax (44) 207 900 1853, e-mail <info@greenpowerconferences.com>, website <www.greenpowerconferences.com/carbonmarkets/carbonmarkets_africa_2008.html>

3–7 December 2008, Dakar (Senegal) — 15th International Conference on AIDS and Sexually Transmitted Infections in Africa. Tel (221) 33 842 95 10, (221) 33 842 92 33, fax (221) 33 821 38 25, e-mail <icasa2008@orange.sn>, <secretariat@icasadakar2008.org>, website <www.saafrica.org>

AFRICA BOOKS

Youth in Africa's Labor Market, eds. Marito H. Garcia and Jean Fares (World Bank Publications, Washington, DC, USA, 2008; 293 pp; pb £12.99, $20)

Quelle refondation pour le Congo? by Cyriaque Magloire Mongo Dzon (L'Harmattan, Paris, France, 2008; 166 pp; €16)

Peacekeeping in Sierra Leone: The Story of UNAMSIL by 'Funmi Olonisakin (Lynne Rienner Publishers, Boulder, CO, USA, 2007; 205 pp; hb $45, pb $18.95)

Milieux criminels et pouvoirs politiques: Les ressorts illicites de l'Etat, eds. Jean-Louis Briquet and Gilles Favarel-Garrigues (Karthala, Paris, France, 2008; 320 pp; €26)

Achieving the Millennium Development Goals by Mark McGillivray (Palgrave Macmillan, New York, NY, USA, 2008; 208 pp; hb $85)

Beyond Bali: Strategic Issues for the Post-2012 Climate Change Regime, ed. Christian Egenhofer (Centre for European Policy Studies, Brussels, Belgium, 2008; 162 pp; pb €25)

From the Slave Trade to 'Free' Trade: How Trade Undermines Democracy and Justice in Africa by Charles Abugre et al (Fahamu Books, Oxford, UK, 2007; 180 pp; pb £11.95)

La gouvernance démocratique: Un nouveau paradigme pour le développement? eds. Séverine Bellina, Hervé Magro and Violaine de Villemeur (Karthala, Paris, France, 2008; 608 pp; €32)

Global Shadows: Africa in the Neoliberal World Order by James Ferguson (Duke University Press, Durham, NC, USA, 2006; 272 pp; pb $21.95)

Judicial Politics in New Democracies: Cases from Southern Africa by Peter VonDoepp (Lynne Rienner Publishers, Boulder, CO, USA, 2009; 195 pp; hb $55)

Breathing Life into the African Union Protocol on Women's Rights in Africa, eds. Firoze Manji, Faiza Jama Mohamed and Roselynn Musa (Fahamu Books, Oxford, UK, 2006; 128 pp; pb £14.95)

Africa's Long Road to Rights / Long traget de l'Afrique vers les droits: Reflections on the 20th Anniversary of the African Commission on Human and Peoples' Rights, ed. Hakima Abbas (Fahamu Books, Oxford, UK, 2008; 188 pp; pb £11.95)

Violence politique au Congo-Kinshasa by Pierre Kamba (L'Harmattan, Paris, France, 2008; 430 pp; €38.50)

Laurent Nkunda et la rébellion du Kivu: Au coeur de la guerre congolaise by Stewart Andrew Scott (Karthala, Paris, France, 2008; 320 pp; €25)

Silences in NGO Discourse: The Role and Future of NGOs in Africa by Issa Shivji (Fahamu Books, Oxford, UK, 2007; 84 pp; pb £7.95)

Le Sénégal des migrations: Mobilités, identités et sociétés, ed. Momar-Coumba Diop (Karthala, Paris, France, 2008; 440 pp; €29)

Understanding Somalia and Somaliland: Culture, History, Society by Ioan Lewis (Columbia University Press, New York, NY, 2008; 208 pp; hb $45)

Business and the State in Southern Africa: The Politics of Economic Reform by Scott D. Taylor (Lynne Rienner Publishers, Boulder, CO, USA, 2008; 267 pp; hb $58)

China's New Role in Africa and the South: A Search for a New Perspective, eds. Dorothy Guerrero and Firoze Manji (Fahamu Books, Oxford, UK, 2007; 272 pp; pb £16.95)

A Critical Examination of Conservation and Development in Sub-Saharan Africa by Paul Andre DeGeorges and Brian Kevin Reilly (Edwin Mellen Press, New York, USA, 2008; seven volumes, 3,572 pp; hb £450)

Ending Aid Dependence by Yash Tandon (Fahamu Books and South Centre, Oxford, UK, 2008; 160 pp; pb £7.99)

Enjeux urbains et développement territorial en Afrique contemporaine by Amadou Diop (Karthala, Paris, France, 2008; 196 pp; €22)

The Failure of Democracy in the Republic of Congo by John F. Clark (Lynne Rienner Publishers, Boulder, CO, USA, 2008; 309 pp; hb $59.95)

AFRICA WATCH

DRC

UN seeks to end fighting

Talks facilitated by the United Nations got underway in December in Nairobi to try and resolve renewed fighting in the eastern part of the Democratic Republic of the Congo (DRC). The clashes have displaced up to 250,000 people in the already hard-hit region and threaten to embroil neighbouring countries. The talks, between the government and representatives of the main rebel group, were led by the UN Secretary-General's newly appointed special envoy on the Great Lakes, Olusegun Obasanjo, former president of Nigeria, and Benjamin Mkapa, the former president of Tanzania, who is representing the African Union and the International Conference on the Great Lakes Region.

Fighting resumed in the eastern DRC in August when units of the rebel group, Congrès national pour la défense du peuple (CNDP), led by Laurent Nkunda, began an offensive against the government army in North Kivu. With government forces falling back and other rebel militia becoming involved, the UN Security Council on 20 November authorized strengthening the peacekeeping force, the UN Organization Mission in the Democratic Republic of the Congo (MONUC), by an additional 3,000 troops. Some 90 per cent of MONUC's 17,500 peacekeepers are deployed in the east. Although fighting subsequently eased, MONUC in early December warned that the security situation remained fragile, atrocities against civilians have continued and UN humanitarian agencies reported that they still faced great difficulties in reaching displaced and other vulnerable groups.

UN Secretary-General Ban Ki-moon has stressed that there cannot be a military solution to the conflict. Speaking at a special summit of regional heads of state in Nairobi in November, he warned that the conflict in the DRC, which he described as one of the worst human tragedies of our time, with more than 5 million lives lost over the past decade, could engulf the broader sub-region.

Reuters / Finbarr O'Reilly

A village in the eastern Congo hit by fighting in November: A quarter-million civilians have been displaced in the region.

In presenting its final report to the Security Council in December, a group of experts monitoring the UN's arms embargo on the country reported that it had found evidence that Rwandan authorities had facilitated the supply of military equipment and personnel, including children, to the CNDP, while Congolese government forces had provided support to the DRC-based, rebel Forces démocratiques de liberation du Rwanda (FDLR), participating with them in joint operations against the CNDP. ■

FOOD INSECURITY

Number of hungry growing

Another 40 million people joined the ranks of the world's hungry in 2008, in large part because of high food prices, according to the UN's Food and Agriculture Organization (FAO). The number of undernourished people in the world has now reached 963 million, the FAO says in its December report, *The State of Food Insecurity in the World 2008*. The ongoing financial and economic crisis could force even more people into hunger, the report warns.

In 2007, one in three of sub-Saharan Africa's population — some 236 million people — was chronically hungry, the highest proportion of undernourished people worldwide, according to the report.

Overall, the FAO says, Africa had made some progress in reducing hunger in recent years, with the proportion of the sub-continent's population suffering from chronic hunger falling to 30 per cent in 2003-2005, down from 34 per cent in 1995-1997. Ghana, Malawi, Mozambique, Nigeria and the Republic of Congo all made notable progress, with Ghana already reaching the Millennium Development Goals (MDG) target to halve the number of people living in hunger by 2015.

However, warned FAO Director-General Jacques Diouf at the launch of the report, any progress by countries towards the MDGs and other international targets risks being reversed by high food prices. "Nowhere," he said, is the food crisis over. ■

APPOINTMENT

The UN Secretary-General has appointed Mr. **Michel Sidibé** of Mali as the new executive director of the Joint UN Programme on HIV/AIDS (UNAIDS). Mr. Sidibé's career in global health began almost 30 years ago in Mali, where he eventually became country director for the international development federation Terre des Hommes. In 1987 Mr. Sidibé jointed UNICEF, serving variously in the Democratic Republic of the Congo and as country representative in Burundi and Uganda. Mr. Sidibé joined UNAIDS in 2001, and in 2007 was appointed deputy executive director of programmes. Mr Sidibé took up his new position on 1 January 2009, replacing Dr. Peter Piot of Belgium.

UN / Eskinder Debebe