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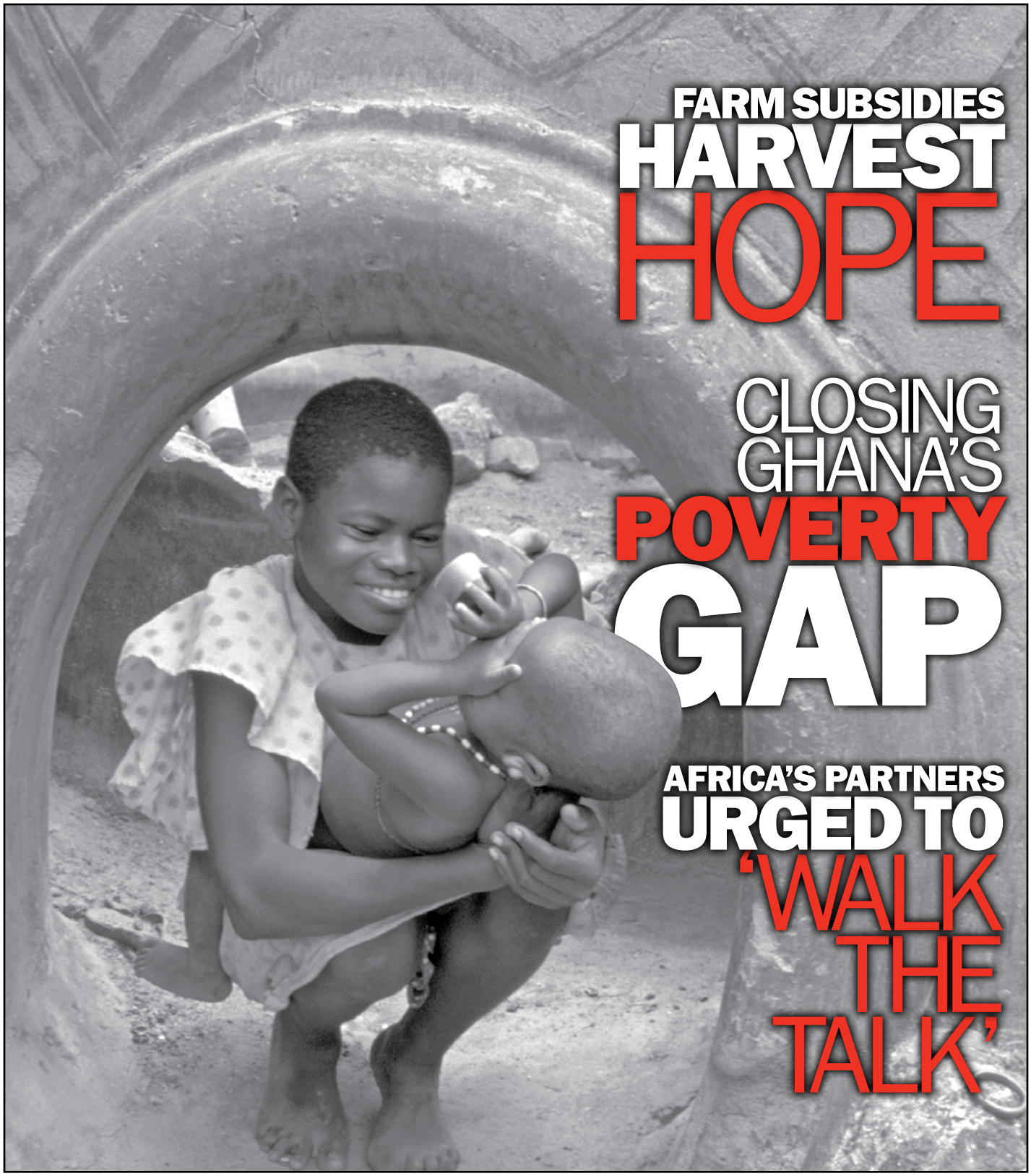

World Bank / Curt Carnemark

FARM SUBSIDIES HARVEST HOPE

CLOSING GHANA'S POVERTY GAP

AFRICA'S PARTNERS URGED TO 'WALK THE TALK'

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United Nations
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A harvest of hope for African farmers

Malawi subsidies stimulate a bumper crop

By ***Michael Fleshman***

In a world still shaken by skyrocketing food prices and the sometimes violent street protests that have accompanied them (see *Africa Renewal,* July 2008), the search is on for ways to increase food production in Africa and other chronically hungry regions. Tito Jestala, who farms a tiny plot of land in Chiseka, Malawi, thinks he has the answer.

In 2005, more than 30 of his neighbours died of malnutrition in one of the periodic droughts that have swept Southern Africa. Even in a good year, he told the UK newspaper *The Independent*, he could coax barely 250 kilogrammes of maize from his exhausted land. But over the past two years his harvest has tripled, producing plenty of food for his family and leaving more than enough to sell at the local market.

The difference, Mr. Jestala says, is fertilizer. For years this basic input was simply beyond his means and those of millions of other African farmers. Costing the equivalent of about $50 a bag, fertilizer was just too expensive to use. And buying it on credit was too great a risk for farmers at the mercy of unreliable rains and poor-quality seeds. But in 2005 the government of President Bingu wa Mutharika began subsidizing fertilizers and high-yielding seeds for Malawi's smallholders. The action cut fertilizer prices by 80 per cent and slashed the cost of hybrid maize seeds from 600 kwacha per bag to 30.

The impact was dramatic. The following year Malawi's maize harvest more than doubled, to 2.7 mn tonnes. It rose again in 2007 to 3.4 mn tonnes — enough to feed the nation and sell 400,000 tonnes to the UN's World Food Programme (WFP) and hundreds of thousands of tonnes more to neighbouring countries, generating $120 mn in sales. The formerly aid-dependent country even donated 10,000 tonnes of maize to the WFP's nutrition programme for people living with HIV/AIDS.

This year the government plans to spend $170 mn to expand the programme in the hope of reaching more farmers and capitalizing on higher world maize prices. "As long as I am president," Mr. Mutharika was reported to have told his cabinet in 2007, "I don't want to be going to other capitals begging for food."

Reuters / Siphiwe Sibeko

Thanks to low-priced fertilizer and other farming inputs provided by the government, Malawi's maize harvests have been bountiful.

'A very bold decision'

In fact, say experts at the UN Food and Agriculture Organization (FAO), Malawi's turnaround is the result of a combination of factors, including the return of sufficient rain, the incentives offered by higher world food prices and increased government investments in other parts of the country's rural economy.

Yet there is little doubt that the decision to make high-quality seeds and fertilizers affordable for smallholders like Mr. Jestala has been the key to Malawi's success. The subsidy programme is already being seen as a model by a growing number of African governments and international development and agriculture agencies.

But the programme has encountered difficulties in gaining acceptance from donors. In 1999 the government had introduced a more modest programme of free "starter packs" of fertilizer and seeds for family farmers in an effort to boost production. The results were impressive, but the subsidies ran afoul of the pro-market policies of the World Bank and International Monetary Fund (IMF), which argued that subsidies were "crowding out" commercial sales and constituted undue government interference in the economy. Under considerable pressure from these financing institutions, the programme was phased out. The IMF also insisted that Malawi sell much of its national grain reserve to pay off the debts of the state-owned maize marketing agency.

Most Malawian farmers, however, were too poor to pay commercial rates for fertilizer and seeds. As a result, maize yields plunged. When drought struck in 2001 neither farmers nor the government had adequate grain stores to see them through, and more than a thousand people are estimated to have died. Then after the failed 2005 harvest left 5 million of Malawi's 13 million people on the brink of starvation, the newly elected government of President Mutharika defied the donors and launched

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Closing Ghana's national poverty gap

North-south disparities challenge attainment of Millennium Development Goals

By ***Ernest Harsch***
Tamale

Many of the women at the workshop of the Pagsung shea butter association are in their forties and fifties. Previously, each had collected and processed shea nuts as an individual, but earned so little she could barely get by. "We found if we came together we could make more and sell more," explains Safiya Hassan, a recent university graduate who is helping the women.

The association now includes 13 groups of shea producers, all women, in Ghana's Northern Region. Together they are able to produce more than 20 tonnes of shea butter per month. Much of this, in the form of high-quality shea soap and creams, is supplied to a Japanese company. As a group, the women are earning an additional profit of 10 Ghana cedis (US$11) for every 100 kilogrammes, compared to what they made as individual producers. That modest extra income has already changed the lives of many of the women.

"We make them dream, and dream big," says Adisa Yakubu, executive director of the non-governmental Africa 2000 Network–Ghana and coordinator of the shea butter project. The project is also supported by the UN Development Programme (UNDP) and Japan, as part of that country's cooperation programme with Africa, known as the Tokyo International Conference on African Development (see *Africa Renewal*, July 2008).

The shea project is still only a few years old, and has many problems to overcome. But that has not stopped its members from seeking to help other shea producers in the Northern Region, as well as in the Upper West and Upper East regions yet farther north. They have learned improved production techniques from women elsewhere, and are in turn planning to teach selected "master trainers" from all three of Ghana's northern regions. Making such wider connections "has been one of our greatest achievements," says Ms. Yakubu.

Yasuyoshi Chiba

Mixing shea butter for soap production in Tamale, the capital of Ghana's Northern Region: For poor women, even modest increases in their incomes can make a big difference.

The north excluded

Tackling poverty is especially difficult in the north, and even small changes can have a noticeable impact. Across the country, Ghana's robust economy has contributed to considerably improving the well-being of its people, with the proportion of Ghanaians living in poverty falling from 52 per cent in 1991–92 to 29 per cent in 2005–06, according to estimates by the Ghana Statistical Service. Ghana is thus on track to meet the poverty-reduction target of the Millennium Development Goals (MDGs) adopted by world leaders in 2000.

But Ghana's north has largely been excluded from that broader trend. The incidence of poverty in the Northern Region declined only slightly over the same period, from 63 per cent to 52 per cent. In the Upper West Region it remained static, at 88 per cent, while in the Upper East Region it actually increased, from 67 per cent to 70 per cent.

According to UNDP's *Ghana Human Development Report 2007*, these three regions "harbour the poorest of the poor." So while Ghana — unlike many other countries in sub-Saharan Africa — has made some notable progress on some of the MDGs, that process has been very uneven within the country. Segments of the population have been left behind in other parts of Ghana as well, especially in the large urban centres in the south. Yet the worst indicators are concentrated in the north.

Such geographic disparities are not unique to Ghana. Many countries in Africa and other parts of the world are marked by regional inequalities, a reality that tends to get lost in discussions that focus mainly on national averages.

Ghanaian development experts, international aid agencies and residents of the north argue strongly that much more needs to be done to narrow the country's regional divide. According to Charles Abugre, a Ghanaian economist and head of policy and advocacy for the non-governmental Christian Aid, Ghana will not be able to meet all the MDGs unless "deliberate government policies" are put in place to close the gap between north and south.

Above all, says John Nabila, a traditional paramount chief in the Northern Region's West Mamprusi district, northern Ghana needs a concerted and conscious national effort to increase investments in education, health and economic development. "We are just hoping for the day we can bridge the gap between the regions," he told *Africa Renewal*.

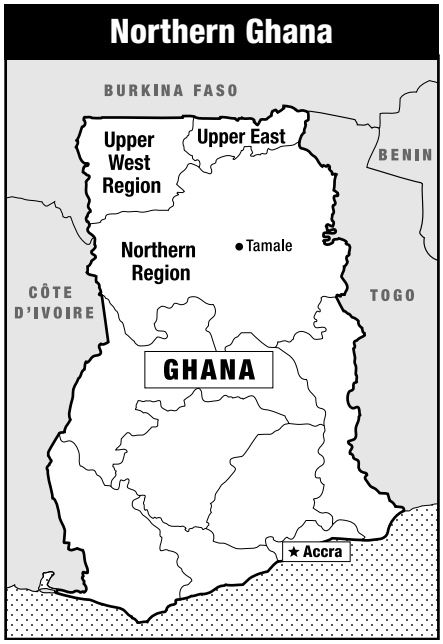
Geography and climate

Northern Ghana falls short by almost all indicators, and has significantly lagged behind the south since the colonial era, notes Mr. Nabila, who is also a professor of geography at the University of Ghana and the Northern Region's representative on the Council of State, a body that advises the government on policy issues.

One hindrance is geography. The three northern regions are far from the ports, roads, railways, markets, industrial centres and fertile farming areas that help stimulate greater economic and human development in southern Ghana.

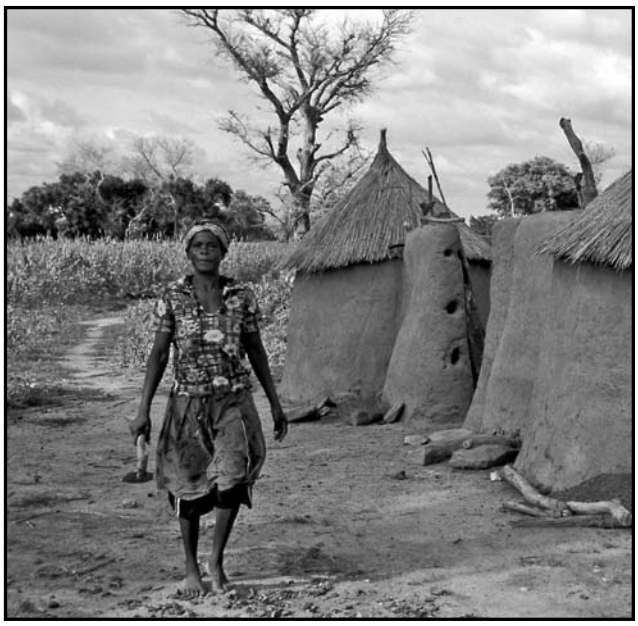
"The roads are poor," says Mr. Nabila. The difficulty and high cost of transport hamper economic activity. This is one of the biggest challenges facing the shea producers in Tamale, whose exports to Japan must be carried by truck to the port of Accra on the coast before they can be loaded onto ships. Such costs cut into the profits the women can earn.

In many respects, the situation confronting the three northern regions is similar to that of the landlocked countries across Ghana's northern borders, Burkina Faso, Mali and Niger, notes Ghanaian economist Cletus Dordunoo, one of the editors of the *Ghana Human Development Report*. "The landlocked countries share a similar level of education, and the occupations that they undertake are very similar too," he told *Africa Renewal*. "They do a lot of cattle rearing and they produce crops such as shea nuts and cassava." Moreover, those countries are "also deprived of these very things, infrastructure and basic facilities in education, health."



UN Africa Renewal

The climate in northern Ghana is also close to that of the arid, wind-swept Sahel farther north. Farmers and livestock herders depend on scarce and erratic rainfall. Last year, notes Mr. Nabila, the short rainy season began as it usually did in May, and farmers planted their crops. "They were all looking forward to a bumper harvest, and suddenly the rain ceased. All the crops died. Then the heavens opened up, and we had floods."



SpraguePhoto.com / Sean Sprague

A village near Bolgatanga, in northern Ghana: Special programmes are needed to overcome the north's heavy concentrations of poverty, poor climate and limited economic opportunities.

Poverty and the general lack of opportunities prompt many young people to migrate out of the north, observes Mr. Dordunoo. "They come down south just to eke out a living."

Change in policies

Following independence in 1957, successive governments launched various initiatives to promote some economic development in the north, including widespread irrigated rice farming projects.

"Then came the World Bank," explains Mr. Nabila. Economic liberalization policies promoted by the Bank led to the removal of government subsidies for agricultural inputs, irrigation schemes and farm extension services. Meanwhile, tariffs on imported rice were also cut, flooding the domestic market with cheaper rice from Asia.

Unable to compete, nearly half a million rice farmers, many of them in the north, were driven out of business, and domestic rice production fell drastically. Only about 100,000 rice farmers remain. "The rice industry collapsed," complains Mr. Nabila. "Because of that change in policies, the whole country has suffered."

Little schooling, poor health

One consequence of the north's limited development is that few resources can be generated from within the region for essential social services. While nearly 70 per cent of all school-age children are enrolled in primary schools nationally, in the Northern Region the rate is just 50 per cent and in the Upper West and Upper East regions only 51 per cent and 56 per cent, respectively. The three northern regions can claim only about half the national secondary-school enrolment rate. Some three-quarters of all adults in the north are illiterate, compared with 43 per cent nationally.

As elsewhere in Ghana, special efforts have been made over the past decade to get more children into school. Poor families receive small grants when they enrol children, and school feeding programmes provide an additional incentive. In areas where the school feeding programme has been introduced, notes Mr. Dordunoo, "enrolment has so increased that infrastructure, school buildings, facilities are not able to cope with the increase."

Some improvements in health have also been registered. Between 2003 and 2006, infant mortality rates were cut by more than half in the Northern and Upper East regions, and by a quarter in the Upper West.

But overall, health care remains poor.

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Africa secures new Southern partners

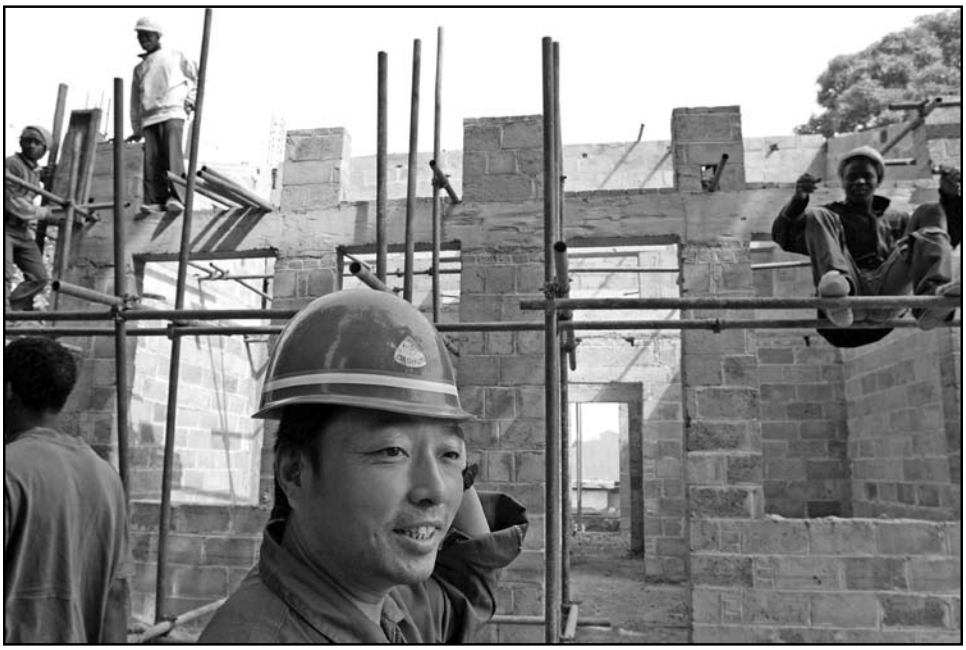
Controversy over aid, investment from China and India

By **Gumisai Mutume**

Over the last decade, the make-up of Africa's donors and investors has changed significantly, with newcomers from the South playing an increasingly important role. China, India, Brazil and other developing countries are providing African nations with new sources of financing and enabling them to lessen their dependence on traditional donors from the North.

As these new players emerge, there have been calls for them to improve their aid and investment practices in line with standards that have been adopted by the wider donor community. In a report to a high-level meeting on Africa's development needs in the General Assembly on 22 September, UN Secretary-General Ban Ki-moon urged these new development partners to support current international efforts to harmonize and coordinate donor policies, to make their aid more effective.

Some of the discussions about Southern financing for Africa have become heated. The Group of Eight (G-8) industrial nations — which includes a number of Africa's long-time donors — has been especially vocal in calling on the new donors to adjust their aid policies. At its summit last year in Heiligendamm, Germany, the G-8 issued a declaration, "Growth and Responsibility in Africa," that urged the continent's new donors "to improve transparency of their aid and to follow internationally shared principles." The G-8 called on the new donors to "fully share information on their lending to low-income countries."



Associated Press / Rebecca Blackwell

A Chinese foreman walks past a construction site in Guinea-Bissau: China is financing infrastructure projects in Africa that other donors are reluctant to back.

At the same time, the G-8 pressed African countries to continue to pursue "sound policies," which generally have included maintaining balanced budgets, favouring private sector development and liberalizing domestic and external trade. The G-8 also insisted on promoting the "universal values" of human rights, democracy and good governance.

African critics of Northern donor practices have long viewed such policy prescriptions as heavy-handed. Some also interpreted recent Western criticisms of the "no strings" aid policies of China, India and other new donors as an expression of concern that Northern influence may be eroding somewhat.

After China announced in September 2007 that it will extend some $5 bn in financing to the Democratic Republic of the Congo (DRC) to build roads and other infrastructure over several years, officials from Belgium, the International Monetary Fund and other Northern institutions voiced doubts about such transactions. An editorial in the Congolese daily *Le Potentiel* responded: "The DRC is sovereign and can contract bilateral and multilateral agreements.... It is good for the DRC to multiply its partners."

And while Western powers are insisting that China and India become more accountable in their aid and investment practices, some in Africa point out that the Northern donors themselves tend to pursue a one-way approach to accountability. Current accountability requirements "are often harder on developing countries than donors," notes Mr. Yash Tandon of the South Centre, an intergovernmental think tank for developing countries. He cites the case of Tanzania, which hosted 541 donor missions in 2005 alone and had to account to donors for 700 projects managed by 56 implementation offices. Despite recent commitments by Northern aid agencies to improve their practices, he adds, Tanzania's donors prepare "performance conditionalities" in consultation with the World Bank, but without the participation of the recipient country.

Loans, credits, investment

One of the most significant features of recent trends in the global economy is the acceleration of trade, aid and investment among developing countries. According to the World Bank, since 2000 there has been a huge increase in trade between Africa and Asia. Today, Africa sends 27 per cent of its exports to Asia compared to 14 per cent in 2000, almost equivalent to Af-

rica's exports to the US or the EU. Asia's exports to Africa are also growing rapidly, about 18 per cent annually, faster than to any other region.

In 2006 President Hu Jintao told a conference attended by 48 African leaders in Beijing that China would double aid to Africa by 2009. It would also cancel the debts of 33 African countries, provide $5 bn in concessional loans and credits and establish a $5 bn fund to encourage Chinese investment in Africa. In 2008, China promised $20 bn over the next three years to finance infrastructure development in Africa. The country's cumulative foreign direct investment in Africa amounted to $1.3 bn at the end of 2005.

Over the last four years, trade between India and Africa has tripled to $25 bn. Indian Prime Minister Manmohan Singh announced at an India-Africa Forum in New Delhi in April that his country will double trade credits to Africa to $5.4 bn in 2008–09, and will increase the number of scholarships it gives to students from Africa from about 4,000 to 8,000 annually.

"India and China have different patterns of aid," notes Dorothy McCormick of the Institute for Development Studies at the University of Nairobi in Kenya. "India concentrates on non-monetary aid mainly in the form of technical assistance and scholarships, while China offers a wider range of monetary and non-monetary aid packages, which include grants and loans for infrastructure, plant and equipment."

Chinese assistance is often tied to the use of Chinese goods and services, she notes, and "requires adherence to the 'One China' policy," that is, that recipient countries withhold diplomatic recognition from the Taiwan authorities. But, she adds, it "does not carry the 'good governance' conditionalities that currently characterize Western donors." As a result, China has often been accused of being lenient with authoritarian regimes in Africa (although some Western governments have also been criticized for supporting autocratic governments in Africa).

"We are dedicated to non-interference and social development of African countries," says Ms. Sun Baohong of the Chinese Embassy to the US. She says criticism of Chinese policy from Africa's traditional partners is due to misunderstanding and fear of competition. "Some people fear for their domination in this regard, and they fear that the alternative constitutes competition."

Ms. Sun says her government believes that the use of sanctions and other punitive measures promoted by the West against governments that abuse human rights are not productive and increase hostility. "We think that when you're dealing with a failing state or a sensitive state, other methods than those used by Western people will be more productive." Chinese involvement in Africa, she says, is in the spirit of South-South cooperation.

Reuters

Indian Prime Minister Manmohan Singh with then South African President Thabo Mbeki: India has promised to double trade loans to Africa and scholarships for African students.

Paris Declaration

In 2005, the 22 traditional donor nations that belong to the Development Assistance Committee (DAC) of the industrialized countries' Organization for Economic Cooperation and Development (OECD) adopted the Paris Declaration in an effort to make their aid practices more effective and accountable. Using 12 indicators to monitor progress, the new approach theoretically allows donors and recipients to hold each other to account. By December 2007, the declaration had been endorsed by 115 countries.

Although China was among the signatories, notes Thomas Fues, a researcher at the German Development Institute, "it plays no part in the efforts of the OECD to achieve harmonization." As a result, he adds, "it does not provide any information on the volume, focal areas and instruments of its donor programmes."

Compared to China, India has adopted a more multilateral approach in Africa, Mr. Fues observes, signing economic treaties with regional entities such as the African Union (AU), the New Partnership for Africa's Development (NEPAD), the Southern African Development Community and the Economic Community of West African States. "As the world's largest democracy," says Mr. Fues, "India finds itself in harmony with the declared societal values of the AU and NEPAD, but agrees with China's position on absolute sovereignty," that is, not interfering in a country's domestic political affairs.

In terms of openness and accountability, the DAC countries themselves are not above criticism, some analysts point out. "There is no real mutual accountability, contrary to the Paris Declaration's stated objective," argues Mr. Tandon of the South Centre, in a paper analyzing the declaration. "If recipient countries do not perform, they are subject to penalties. But if donor countries do not perform, they are not penalized." While in normal business transactions banks and borrowers both take risks and absorb the costs of default, "in the aid architecture proposed by the OECD, the risks are taken by recipient countries alone." Such flaws, he notes, are driving African countries to seek donor partners elsewhere.

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Powering up Africa's economies

Regional initiatives can help cover deficits

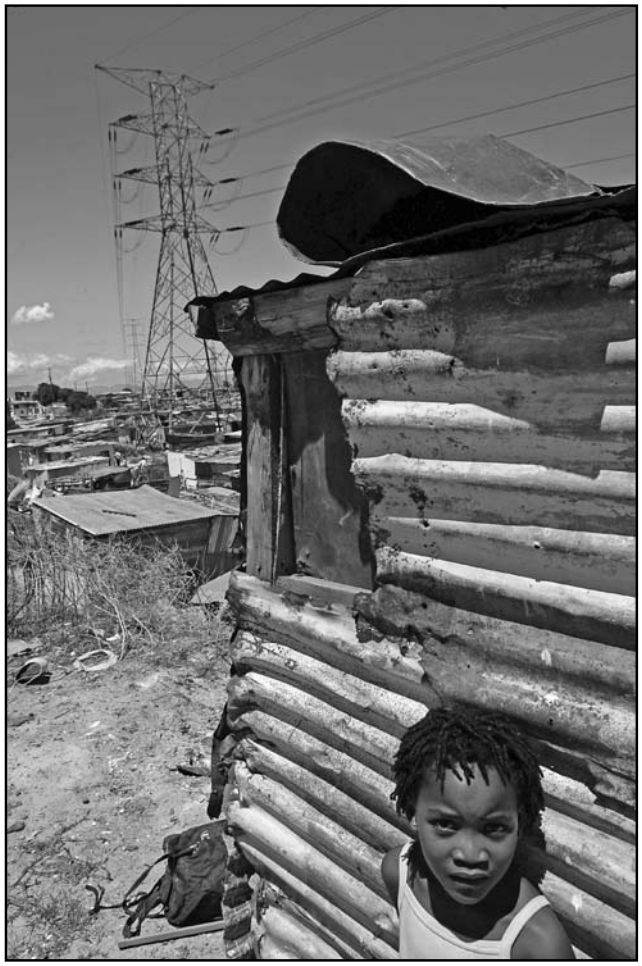
By ***Mary Kimani***

People in Zanzibar danced in the streets in June to celebrate the resumption of power after a month-long blackout. Zanzibar, part of the United Republic of Tanzania, gets its electricity from the grid on the Tanzanian mainland, through underwater cables. The blackout occurred after cable lines supplying Zanzibar failed following a surge in demand. For a month, residents paid about $10 daily to fuel diesel generators for power. Small businesses requiring refrigeration or welding had to close because they could not afford the extra cost.

While Zanzibar has suffered the most prolonged recent blackout, its plight is not unique. In April 2008, the International Monetary Fund (IMF) reported that some 30 of the 48 countries in sub-Saharan Africa have "suffered acute energy crises" in recent years.

But solutions exist. Beyond building up basic generating capacity, countries are moving towards "power pooling." Regional systems of power generation and distribution allow countries with high production capacity to transmit their excess electricity to countries with deficits. The larger market that a regional power pool could potentially serve is also more attractive for investors and donor organizations, compared to small national electricity grids that serve smaller populations. By connecting with neighbours, countries can also benefit from regional investments, instead of struggling to finance their own small and often inefficient power sectors.

Such regional solutions, notes Mr. Ram Babu, the chief power engineer at the African Development Bank (ADB), are "in the spirit" of the New Partnership for Africa's Development (NEPAD), the continent's blueprint for economic, social and political progress adopted by African leaders in 2001.



Reuters / Mike Hutchings

A poor neighbourhood in Cape Town, South Africa, in the shadow of a high-tension power line: Africa's poor need access to affordable, reliable electricity to improve their lives.

Faster growth, lagging capacity

According to Mr. Babu, recent power blackouts happen because the continent's power infrastructure is poorly maintained, prone to collapse and unable to keep up with surging demand. Until recently, he told *Africa Renewal*, governments invested little in power utilities, but demanded that the utilities supply electricity to the public at low rates. As a result, he explains, "Many utilities are heavily indebted. They are selling power at a cost sometimes lower than that of production. So they are making losses and have hardly any resources with which to maintain their current infrastructure."

The situation has been worsened by increasing demand, Mr. Babu adds, driven by Africa's growing population, especially in urban settlements. "Unfortunately the power supply has not kept up."

Vijay Modi, an engineering professor at Columbia University in New York, cited another factor. "African economies," he noted in an interview with *Africa Renewal*, "have been growing rapidly in the last couple of years." That growth, however, has come after a long period of economic stagnation during which there was little new demand for power and thus little incentive to maintain existing infrastructure, let alone to create new means of generating electricity. "It is critical that just as economic growth rates pick up in Africa, energy access and supply does not become one of the bottlenecks," Mr. Modi says.

According to the International Energy Agency (IEA), South Africa, the continent's largest economy, accounts for 46 per cent of Africa's power-generating capacity, North Africa for 34 per cent and the rest of Africa for only 20 per cent. Moreover, a quarter of sub-Saharan Africa's power plants are not in operating condition and existing infrastructure rarely extends beyond the main cities. All of sub-Saharan Africa's generating capacity combined does not exceed that of Spain.

Southern Africa hard-hit

Southern Africa, one of Africa's most productive regions, has been hit especially hard. In January, South Africa experienced rolling blackouts that literally brought cit-

ies to a standstill as traffic lights went dark. Small businesses suffered and mining companies were asked to cut down their power use.

To meet internal demand, Eskom, South Africa's state-owned power-generating utility, reduced power exports in January and early February, causing regional blackouts. This affected Botswana and Namibia in particular, since they import more than 50 per cent of their power needs from Eskom. Mozambique, Lesotho and Swaziland were also hit.

The blackouts were hardly unexpected. As early as 1998, the South African government acknowledged that it had to invest in electricity infrastructure or face a shortage by 2007. To address the issue, the government hoped to privatize Eskom to bring in new capital and make it more efficient. But parliamentary deputies opposed privatization, preferring to keep Eskom as a government-owned utility. With the question of privatization pending, no funds for expanding capacity were allotted in government budgets. By January 2008, the utility was unable to cope with demand.

Similarly, in January 2008, Joseph Raleru, then acting chief executive officer of the Botswana Power Corporation (BPC), revealed that while the authorities had anticipated the possibility of power shortages because of increased economic growth, they had seriously underestimated power requirements. "When we re-looked at the demand in 2006, it had increased significantly because of new mines, due to the high demand for copper on the world market," Mr. Raleru said. "This rate of growth did not only take Botswana by surprise, but countries like Zambia also saw an increase in copper mining."

Zambian Secretary to the Treasury Evans Chibiliti confirmed that assessment. He told the media that his country now faces "a serious power deficit, which poses a major risk to the sustainability and acceleration of recent gains made in the economy."

According to the World Bank, the demand for power in Southern Africa is growing at about 4 per cent a year. To meet this growth, utilities in the region must not only maintain current capacity, but expand supply rapidly if they want to avoid holding back economic growth.

Huge investments needed

Expanding power production will not come cheap. The South African government estimates that just keeping up with growing demand from industries and the population will require doubling its generating capacity by 2025 at a cost of $171 bn. Of that amount, $45 bn will be needed before 2013.

To raise some of those funds, the government has approved power rate hikes of about 27.5 per cent since 2007. Further hikes of about 20–25 per cent are expected over the next three years. The increases have stirred alarm and protests from the powerful trade unions, which fear the impact on the poor and worry that mines and industries will have to cut power use, thus jeopardizing production and jobs.

Botswana currently imports most of its electricity from Eskom, through a contract that expires in 2012. While it has been

'Smart subsidies' can help the poor plug in

Shortages of electricity do not only affect economic productivity. They also reduce people's quality of life and hinder achievement of many Millennium Development Goals. Without power, "clinics cannot deliver babies safely at night, children cannot study longer, businesses close at sunset and vaccines cannot be reliably refrigerated," observes Vijay Modi, a researcher on alternative fuels for Africa at Columbia University in New York.

Despite decades in which African governments heavily subsidized power rates and promoted rural electrification campaigns, some 550 million people, or almost 75 per cent of the population of sub-Saharan Africa, still do not have access to electricity. In 2004 in East Africa, less than 3 per cent of rural people and 32 per cent of urban residents were connected to their national grids. According to the World Bank, only Côte d'Ivoire and Zimbabwe exceed 70 per cent coverage.

If connection rates are so dismal, what happened to all the pro-poor and rural electrification campaigns? The answer, says Mr. Ram Babu, a power specialist at the African Development Bank, is that governments' efforts to expand access have relied mostly on capping the amount of money the power utilities can charge. But that "doesn't help the people who need the power most," he points out. Rural people and other poor consumers whose homes are not yet linked to the power grid face very high connection costs. In cities where grids exist, the cost of connection may start at $200. Where there are none, construction and connection costs can exceed $1,500. As a result, "poor people in rural areas are simply not connected to the grid," Mr. Babu told *Africa Renewal*.

To expand access for the poor, a change in approach is needed, Mr. Babu argues. "What are needed are smart subsidies, to facilitate connection to the grid and for those with lower levels of consumption." Most Africans, except the very poor, are willing to pay for electricity, he notes, since they already pay for candles, kerosene, firewood and other sources of power. Expanding access will thus mean reducing the costs of connection, while ensuring that the better off pay more for their electricity use. That would provide utilities with the resources to maintain their systems.

Small businesses are often willing to pay a little more than the current rate, if that would enable utilities to maintain power and avoid periodic blackouts, which can inflict serious losses on business activities. So instead of keeping electricity prices artificially low, Mr. Babu argues, governments would be better advised to use a tiered system of charges.

Kenya is already experimenting with such an approach. Poorer sectors of the community that consume less pay a lower rate than middle-income sectors that consume more. Industries and large businesses pay rates that increase steadily with their level of usage. These power revenues enable the government to subsidize grid connection fees.

In addition, the Kenyan government has opened the generation of electricity to private companies, which compete to sell power to the government-run transmission utility. That has increased the power supply and ended the blackouts that were common in the late 1990s. The government has also sold shares in its transmission company and main power producer, increasing public scrutiny and pressure for better performance.

In South Africa, the government supplies free basic electricity services to the poor in selected areas. Those not connected to the electricity grid, but who use alternative fuels, such as solar power, are granted about $6 a month to help defray the costs of maintaining and operating such systems. But these subsidies do not come cheap. They cost the government nearly $78 mn a year, raising questions about their sustainability.

cheaper for Botswana to import power than to produce it locally, the government is now supporting construction of an ambitious coal power station in Mmamabula, an area in the country with an estimated 3 bn tonnes of unused coal resources. The project will include two 2,500-megawatt power stations, a coal export unit and a coal-to-methane plant that is being developed by CIC Energy, a consortium of private investors.

But there have been problems. Securing an agreement with regional power suppliers to buy the extra production has taken time, pushing back the anticipated start of operations by two years, to 2013. Costs for the first phase also jumped from $5.5 bn to $9.5 bn. Nevertheless, Botswana's image as a stable democracy with relative economic success has been vital in securing the private sector's commitment to the project. When done, the $28 bn Mmamabula facility will be one of the largest independent power projects ever built. If successful, it would turn Botswana from a net importer into a power-exporting country.

The IEA estimates that overall, Africa needs about $344 bn to create additional electricity capacity, upgrade installed equipment and extend transmission and distribution networks to households and factories.

The massive scale of required investment has prompted governments to ask for assistance. At a meeting with officials of the World Bank's International Finance Corporation (IFC) in February, Kenneth Konga, Zambia's water and development minister, asked donor agencies to help the region meet the gap in financing power generation. "Zambia and the region are going through a challenging period," Mr. Konga said. The deficit can only be resolved "if all the stakeholders come together and pull in the same direction."

Zambia is estimated to need $2 bn to raise power output to meet its expanding demand. The country has sometimes been obliged to ration power to households and smaller industries to maintain supply to the copper and cobalt mines, the economy's mainstay.

Africa's paradox

According to David Donaldson, the IFC's infrastructure manager for Africa, the problem is not that investors and donors are not willing to put money into the sector. On the contrary, the power sector "is an interesting sector for investors, banks, the private sector and even institutions such as the IFC."

But some problems make investors hesitate, Mr. Donaldson told *Africa Renewal*. "The high figures that an investor would have to put in, the poor financial state of the utilities, their continued ownership or management by governments, the heavily controlled tariffs and lack of guarantees that the law would protect investments — all these make the risk of investing very high."

Although the lack of funds limits the ability of utilities to expand supply, poor management is an even bigger issue, Eddy Njoroge, managing director of one of Kenya's power companies, KenGen, said at a June meeting in Nairobi of African power utilities. Nearly three-quarters of African countries have experimented with privatizing management of their power infrastructure, and about two-thirds have formed independent corporations. Over half have appointed regulators to monitor how the sector works.

But few such reforms have been properly implemented, Mr. Njoroge argues. African governments continue to award contracts and to appoint people to head

Cleaner power for Africa's development

Sub-Saharan Africa's energy crisis comes at a time when the world is grappling with climate change. The region therefore needs to adopt solutions that move in the direction of cleaner energy. Currently, the bulk of Africa's electricity is produced from thermal stations, such as coal plants in Southern Africa and oil-fired generators in Nigeria and North Africa. Coal and oil generation contribute to carbon emissions, environmental degradation and global warming. "We need to look at these issues," says Mr. Ram Babu of the African Development Bank (ADB).

Africa exploits only 8 per cent of its potential for hydroelectric power, one of the cleanest forms of energy available. The Democratic Republic of the Congo alone has the third largest hydroelectric potential in the world, after China and Russia, but less than 6 per cent of its population has access to electricity.

Yet developing more hydropower will be of limited use in areas where climate change and increasing drought have reduced the flow of rivers and waterfalls. There are other options, according to the International Energy Agency, such as harnessing the natural gas now burned off as waste in Nigeria and the rest of the Gulf of Guinea, which could meet a substantial share of Africa's power needs.

Projects such as the Mmamabula coal project in Botswana are potentially large sources of carbon emissions, but CIC Energy, the company behind the project, intends to produce gas from coal, including methanol. "Methanol can be used as a cheaper and cleaner fuel substitute for small diesel-fired power plants in Africa," says a company statement. The plant will also look at ways of converting the heat produced during production into steam power.

In East Africa, geothermal energy (produced from volcanic heat) is a potential source of clean and reliable power. Kenya, the first African country to build a geothermal plant, is revamping the facility and adding wells to raise geothermal production to 25 per cent of the country's total current power output.

Alternative sources of power would be especially useful in areas where there is no electricity grid. But they are not cheap. A joint report by the UN Industrial Development Organization (UNIDO) and the UN Economic Commission for Africa (ECA) found that $4 bn would be needed annually to raise household access to electricity in sub-Saharan Africa to 35 per cent by 2015 through methods, such as solar power, that do not require connection to a grid.

Mr. Babu notes that the ADB is trying to raise funds to help countries research and install alternative forms of energy, including solar. But such alternatives will be insufficient on their own, argue UNIDO and ECA. They estimate that even if Africa could spend $4 bn annually until 2030, that would only achieve an overall household electrification rate of 47 per cent. Getting to self-sufficiency in power, with clean energy, says Mr. Babu, will require a combination of donor aid, private investment, greater regional integration and more reforms in the management of power utilities.

utilities not on the basis of merit, but because of political and personal connections. "Leadership and good governance have come short of expectations." African governments, he added, have "refused to let go the management of these firms and continue to appoint people they can control and manipulate to give contracts and reward cronies."

Nor are these the only challenges to attracting investors. Grand Inga, the huge hydropower dam first proposed in the Democratic Republic of the Congo (DRC) in the late 1980s, would have a projected capacity of 39,000 megawatts. But getting the project off the ground has been difficult. Beyond the vast sums of money needed — an estimated $80 bn — investors are hesitant because of the DRC's political instability.

According to the IMF, it is one of Africa's paradoxes that while endowed with huge resources for power generation, the continent is often unable to benefit. So while the DRC accounts for about 40 per cent of sub-Saharan Africa's hydroelectric potential and Ethiopia another 20 per cent, both countries lack the needed investments to make that capacity a reality.

Reuters / Antony Njuguna

An electricity sub-station in Kenya: Much of Africa's existing power generating capacity is aging and needs to be upgraded.

Sharing power

"This is why we are thinking in terms of regional integration," says Mr. Babu of the African Development Bank. "In the spirit of NEPAD, regional integration helps to open up resources and markets."

In the energy sector, he adds, "regional integration is best expressed in electricity power pooling." Under such systems, governments commit themselves to regional projects based in countries with the highest potential for producing power. The power is then exported to the rest of the pool members at affordable costs.

Regional pooling would also help countries that lack hydropower generation or coal resources. These countries have suffered particular hardships in recent years because they rely on expensive thermal production methods — burning diesel or heavy fuel — to produce electricity. It currently costs Uganda $0.25 per unit to buy emergency power from British Aggreko, a private company operating one of Uganda's older plants. A new plant, fuelled with cheaper heavy oil, is to start operations in September 2008, at $0.14 per unit.

But with rising world fuel prices, such national solutions may only be of temporary relief. Niger, Senegal and Nigeria have all seen their electricity production costs triple. However, "Pooling power at the regional level is economically rational, permitting savings estimated at $3–5 bn over 20 years," states a joint report by the UN Industrial Development Organization and the UN Economic Commission for Africa.

The West African Power Pool (WAPP) is made up of 14 countries. WAPP is hoping to build a power sharing and trading network at an estimated cost of $4.6 bn. Towards that goal, the ADB signed an agreement in June 2008 for a $28.2 mn loan to finance some of the first pool projects, a power connection between Togo and Ghana and a transmission line from Benin via Togo to the Volta substation in Ghana. WAPP has also contracted the Korea Electric Power Corp (KEPCO) to build and operate for 20 years a power station in Benin. The project will likewise expand existing national infrastructure and increase power transmission capacity between Nigeria, Benin, Togo and Ghana.

Such a system will enable countries to trade electricity, making power supply more reliable and reducing costs, says Mandla Gantsho, the ADB's vice-president for infrastructure and private sector development. The West African pool, he explains, will "allow for the movement of power from countries with the potential to produce cheap hydropower to other countries, which currently depend on thermal power stations running on expensive imported petroleum for their electricity supply."

East African countries are also integrating their transmission networks. Kenya is already connected to Uganda and the two countries have traded electricity for several years. Kenya and Ethiopia began building a similar connection in April 2008. Ethiopia has the capacity to produce 1,875 megawatts of electricity, far above its current demand for 400 megawatts, and is building three hydropower dams to add another 1,155 megawatts of capacity production by 2010.

In Southern Africa, Zambia and Malawi have created a joint project through which Zambia can connect to the Malawian grid. The link will supply power to the town of Chama, which is currently not electrified, but holds large deposits of untapped oil and copper. While none of these efforts to pool resources is yet fully operational, says Mr. Babu, they represent one of Africa's best options for resolving its power shortfall. ■

Boosting domestic savings in Africa

To invest more, countries must tap assets now outside the banks

By ***Efam Dovi***

What if wealthy Africans decided to invest their earnings in Africa instead of overseas? And if the 80 per cent of Africans now without bank accounts got access to formal financial services? And if African governments put their domestic revenues into productive investments? "Rates of savings [would] go up significantly and Africa could perhaps be in a position to meet more than its resource needs," answers Samuel Gayi, a senior economist on Africa at the Geneva-based United Nations Conference on Trade and Development (UNCTAD).

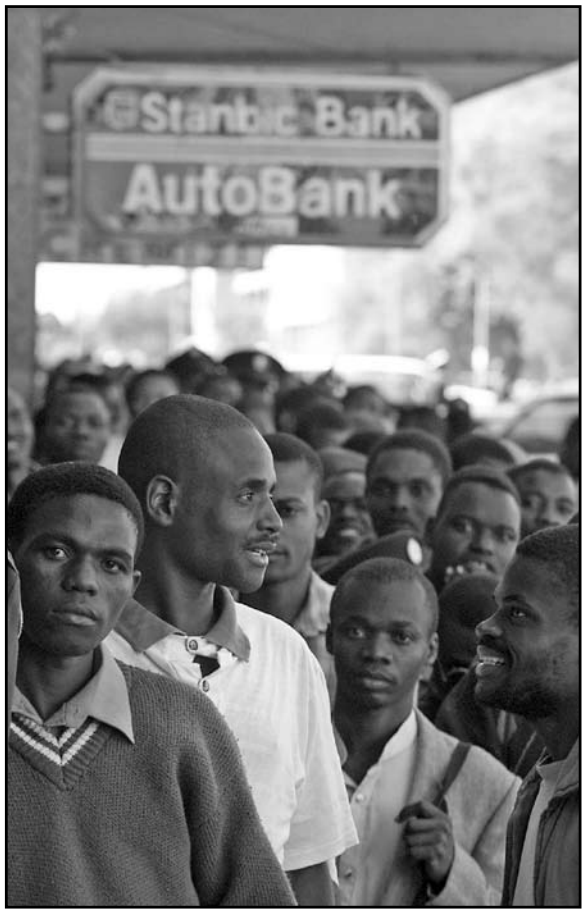
African countries' ability to finance a greater share of their development needs from domestic sources "would give them much-needed flexibility in the formulation and implementation of policies" to address development challenges, direct resources into high-priority areas and "strengthen state capacity," finds a 2007 UNCTAD report, *Economic Development in Africa: Reclaiming Policy Space, Domestic Resource Mobilization.*

Africa is estimated to lose hundreds of billions of dollars in domestic revenues annually through capital flight, tax evasion, the repatriation of profits by transnational corporations and high debt repayments. At the same time, the continent's large informal sector holds considerable financial resources that are not deposited in savings accounts or pass through other formal financial channels.

Yet until recently, most international conferences and summit meetings to address the financing of Africa's social and economic development have generally focused on ways to mobilize more foreign resources. That is changing. But flows of official development assistance (ODA) to Africa remain volatile, and as the UNCTAD report notes, "dependence on external resource flows" leaves countries vulnerable to external shocks. Moreover, the region's share of global foreign direct investment (FDI) has stayed low.

Pan-African fund

As a result, African governments are increasingly turning their attention to the need to better mobilize domestic resources. At a summit meeting of the African Union in Ghana in July 2007, the continent's leaders launched an initiative to mobilize local resources to finance Africa's infrastructure development. The Pan-African Infrastructure Development Fund (PAIDF), under the continent's development blueprint, the New Partnership for Africa's Development (NEPAD), is seeking to raise money mainly from public and private pension funds and asset-management firms in Africa.



Associated Press

Regular banks cater only to a fifth of all Africans. If they can better tap into the vast pool of financial resources now outside the formal banking system, more money would be available for investment.

The PAIDF will invest directly in large-scale infrastructure projects in Africa, including in energy, roads, information and communications technologies and water, as well as in the stocks of companies that own, control, operate or manage infrastructure and related assets. Firmino Mucavele, then head of the NEPAD Secretariat in Pretoria, South Africa, said the goal is to invest in projects that will have high yields.

A target of raising $1 bn for the fund was set for July 2008. Some $625 mn had already been raised by the time of the launch. The PAIDF's potential shareholders are reputable pension funds in the region, including the Public Investment Corporation of South Africa, which has assets exceeding $90 bn, and similar pension funds in Nigeria, Ghana, Namibia and Botswana. As Mr. Mucavele noted, totalling such figures from just a few countries suggests that hundreds of billions of dollars can potentially be tapped. "We don't want all of it," he told journalists at UN headquarters in New York. "Instead of going for loans, let us take 5 per cent and invest it in something we all agree on."

Until now, managers of Africa's public and private pension funds, in the search for security and high returns, have invested much of their resources in external companies and stocks, contributing to Africa's outflow of resources. By seeking to direct just a small portion of those flows inward, alongside a number of other initiatives, African governments are now trying to strengthen the continent's national savings.

Low savings rates

Sub-Saharan Africa has the lowest savings rate in the developing world. While fig-

ures vary from country to country, gross domestic savings in the region averaged about 18 per cent of gross domestic product (GDP) in 2005, compared with 26 per cent in South Asia and nearly 43 per cent in East Asia and Pacific countries, according to World Bank estimates.

In some countries, those rates are even on the decline. South Africa alone accounts for almost 40 per cent of sub-Saharan Africa's total GDP. Yet in 2006 the country's gross domestic savings rate declined to 13 per cent, from 26.7 per cent in the early 1980s. "This downward trend has been persistent for over two decades," Elias Masilela, a board member of the South Africa Savings Institute, commented in June of that year.

In Uganda the savings rate is only 10 per cent of GDP. Japheth Katto, the chief executive officer of the country's Capital Markets Authority, recently said the rate will not improve in the near future "unless concerted efforts [are] made to increase financial-sector outreach."

Although a handful of countries have achieved higher savings rates, the bottom line is that the region's savings rate "is not commensurable with the investment needs of 25 per cent of GDP required to reduce poverty by 2015," argues Jean Thisen, a senior economic affairs officer with the UN Economic Commission for Africa (ECA), headquartered in Addis Ababa, Ethiopia.

Panos / Sean Sprague

A credit union in the Gambia: Micro-finance institutions use innovative methods to help rural Africans save and borrow.

Savings barriers

There are many reasons for Africa's low savings rates, including inadequate financial services. Physical distance from banking institutions and high minimum deposit and balance requirements mean that the majority of the population does not get access to banking services. As a result, only 20 per cent of African families have bank accounts.

In East Africa, Ethiopia, Uganda and Tanzania each have less than one bank branch per every 100,000 people. The ratio is better for some Southern African countries. Namibia has more than four, Zimbabwe more than three and Botswana nearly four.

Banks' minimum balance requirements and the cost of maintaining an account are too high for many people. Opening a bank account in Cameroon requires a $700 deposit, according to a 2007 World Bank policy research report. That is more than the annual income of many Cameroonians.

Many banks also insist on considerable documentation to open an account. Banks in Cameroon, Sierra Leone, Uganda, and Zambia require at least four documents, including an identity card or passport, recommendation letter, wage slip and proof of address. In a continent where many people work in the informal sector and more than 60 per cent live in rural areas, gathering such documentation can be a challenge.

Even when people have extra money, there may be little incentive to save. In Ghana the interest paid on savings is insignificant, while annual interest rates on loans range between 23 and 25 per cent.

The low level of formal savings deposits means that many banks have limited funds to lend out and enables them to charge high interest rates. As a result, the World Bank estimates, firms in sub-Saharan Africa fund between one-half and three-quarters of their new investments from internal company savings. While such "self-investment" may be productive, industry experts say that retained earnings are normally not sufficient, and this constrains the operations of many businesses.

Waiting to be tapped

In Africa, many economic activities take place in the informal sector. While many households have notable savings, "The problem is that these are being held in the non-financial form," Mr. Gayi told *Africa Renewal*. "These are not being significantly channelled into productive investments."

Many Africans still keep most of their savings in livestock, stockpiles of goods for trading, grain, jewellery or construction material. Data are limited, but some experts estimate that about 80 per cent of all household assets in rural Africa are in non-financial forms.

To tap into such assets, it is necessary to "introduce new financial products or instruments that respond to the saving needs of households," says Mr. Gayi of UNCTAD. Savings products that "permit easy accessibility" and allow for "small transactions at frequent intervals" would encourage households to shift to the formal system, thereby making such assets available for productive investments, he says.

In Uganda, according to an extensive survey reported by the UN Capital Development Fund (UNCDF), people with access to formal bank accounts saved three times more in the 12 months studied than those who held their assets in the "semi- and informal sectors."

The UNCDF noted in its 2004 report that in Rwanda about half a million savings passbook accounts, with an average account size of $57, pulled almost $40 mn into circulation in 2001. "Although this may not appear significant," argued the UNCDF, "proper circulation of these funds into credit products could have a significant multiplier effect in the Rwandan economy."

Banks reform and reach out

In many African countries, governments and banks are changing the way they do business. In Nigeria, a series of banking-sector reforms initiated in 2004 limited government ownership in banks and brought greater competition. As a result, bigger banks bought out smaller ones and new ones merged. Although the overall number of banks declined, most had a stronger capital base and the number of branches increased by over 600. With enhanced capacity, Nigerian banks started making inroads into other countries in the region. They introduced new products and services.

The Standard Trust Bank branch in Ghana, now United Bank of Africa, introduced a "zero-deposit" account, allowing people to open accounts without initially putting in any money, thereby increasing its customer base.

In Ghana, financial-sector liberalization has brought greater competition, forcing banks to be more innovative and to work harder to attract customers. In 2006, Barclays Bank, Ghana, started working with *susu* agents, who deposit the collective savings of their customers with the bank in return for a fee and access to a loan facility.

Susu is the oldest form of money-collecting system in Ghana. In such arrangements, groups of people regularly pay a fixed sum into a pool held by a *susu* collector. Each member of the group gets a turn to receive the entire sum at the end of a given cycle, for investment and other needs. In some cases, customers get their money back after every 31 days, minus a day's contribution to cover the expenses of maintaining the fund.

Many market women would rather save their money with a *susu* collector than leave their wares unwatched in the marketplace to make a trip to a bank. Unlike conventional bankers, *susu* collectors usually pass by each customer's stall or home to collect the daily, weekly or monthly contributions, depending on the terms. There is almost no paperwork involved for the customer. Collecting agents rely on personal relationships, trust and various forms of collateral to reach markets that are beyond the reach of formal banks.

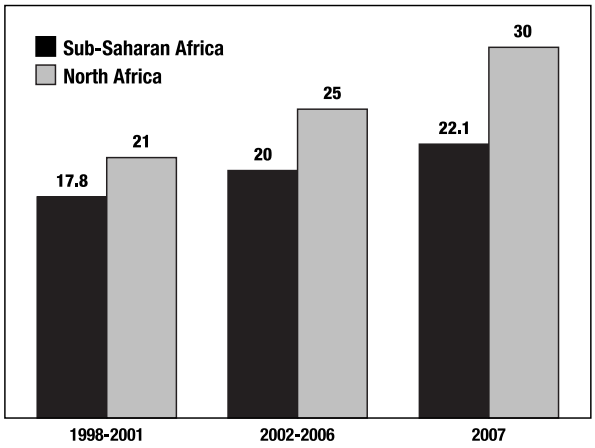
There are an estimated 5,000 *susu* collectors in Ghana with more than 2 million customers. Barclays Bank is currently working with 100 agents and hopes to work with more.

Following a financial-sector reform in Benin in the 1990s, the government introduced a programme of rural savings and loan institutions to better serve the poor. "The economy grew at an annual rate of 5 per cent during the last five years as a result of these interventions," stated the 2004 UNCDF report. With the right financial policies and the provision of secure and accessible savings systems, the UNCDF observed, savings rates would improve and economies would grow through increased domestic investment.

To increase savings, "Banking regulations need to be adapted to encourage those micro-financing institutions with the capacity to legally mobilize savings from clients or the general public," says Mr. Thisen of the ECA.

Rising domestic savings

as % of gross domestic product



Source: UN Africa Renewal from data in UN Economic Commission for Africa, Economic Report on Africa 2008.

Bringing back post office savings

For decades, governments have used their extensive networks of post offices to mobilize small amounts of savings and provide basic financial services in rural and urban areas. In recent years, financial-sector reforms in many African countries have expanded the range of products offered by these postal banks.

The Kenya Post Office Savings Bank, established in 1978, provides a range of services and operates an advanced banking system. Last year the Post Bank, as it is commonly known, mobilized KSh12 bn (US$1=68.7 Kenyan shillings) in savings and realized KSh174 mn in profits, mainly from investment of the funds. Bank managers believe the returns could be improved through further expansion and diversification of products and services. The bank is seeking an amendment in the country's Post Office Savings Act to enable it to offer loans and credit facilities to low-income earners and micro-enterprises.

The World Savings Banks Institute (WSBI) estimates that in some countries the number of postal savings accounts exceeds that of all deposit accounts with mainstream banks. Benin's postal savings bank managed roughly 360,000 savings accounts in 2001, compared with 162,000 deposit accounts in conventional banks. In Kenya, the number of postal accounts almost matched the total number of bank deposit accounts in 2003.

According to Hugues Kamewe, a financial sector adviser at the WSBI, postal savings institutions have a vital role to play in the economic and social infrastructure of African countries, where the majority of the economically active population does not have access to mainstream banks.

New technology helping

Recent developments in mobile phone technology can help expand financial access for the poor, and hopefully mobilize savings. In South Africa, the Demo-

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Africa's partners must 'walk the talk'

UN General Assembly urges donors to fulfill their promises

African leaders have taken firm action to tackle their continent's problems, Mr. Jakaya Kikwete, chairperson of the African Union (AU) and president of the United Republic of Tanzania, told a high-level meeting of the UN General Assembly on Africa's development needs. But because it is the world's poorest continent, Africa does not have enough resources of its own to adequately enhance the well being of its people or the productivity of its economies. Africa's development partners, especially the wealthy industrialized countries, have repeatedly pledged to increase their support for Africa's own efforts, Mr. Kikwete noted. But not all of those promises have been delivered. "Now is the time for friends of Africa in the developed world to walk the talk."

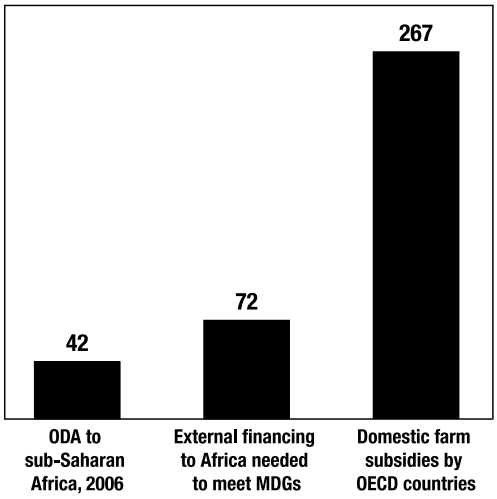
That view was echoed by speaker after speaker at the day-long meeting on 22 September in New York, which featured the participation of 29 heads of state and government, along with other representatives of African, developing and donor countries, bilateral and multilateral agencies, and business and civil society organizations. The meeting's final political declaration served to "reaffirm the commitment of all states to addressing the development needs of the African continent," as expressed in the New Partnership for Africa's Development (NEPAD), the AU's development blueprint.

The meeting called for strengthening a "global partnership of equals" by, among other things, making the world trading system less unfair and discriminatory. It pledged to support African efforts at regional integration, to cope with the impact of climate change and to combat the scourge of HIV/AIDS and other diseases. Finding solutions to such challenges are important not just to Africa, UN Under-Secretary General and Special Adviser on Africa Cheick Sidi Diarra stressed on the eve of the meeting. "Africa's development problems are everyone's problems."

UN / Cia Pak

"Africa is not a hopeless case. Neither are we desperate. We are determined to wrestle ourselves out of our predicament."

— President Jakaya Kikwete (Tanzania), chair of African Union



Source: UN Africa Renewal from data in UN Secretary-General's report on Africa's Development Needs and from the Organization for Economic Cooperation and Development (OECD).

Financial crisis

The challenge of reducing poverty in Africa has been worsened by a variety of recent developments, participants noted. Those factors include rising food and fuel prices and the financial crisis in the US and other developed countries. The strong growth of African economies in recent years has been helped by a growing world economy, Mr. Donald Kaberuka, president of the African Development Bank, told a press conference. But if growth slows in the industrialized countries, that could weaken demand for African exports.

Mr. Kaberuka also hoped that the rich countries' financial difficulties would not keep them from meeting their pledges to increase aid to Africa. The UN Secretary-General's Steering Group on the Millennium Development Goals (MDGs) in Africa has estimated that about $72 bn a year in external financing will be needed to meet those targets. While seemingly large, that amount is actually quite modest, Mr. Kaberuka stated. It is "just a fraction" of the $267 bn that the industrialized countries spend each year on domestic agricultural subsidies.

The urgency of Africa's situation was underlined by a report to the meeting by UN Secretary-General Ban Ki-moon, who noted that Africa remains "off track" in its quest to achieve the MDGs. The MDGs were adopted by international leaders in 2000 to focus attention on improving the well being of the world's poorest people.

While Africa and its partners have made a number of commitments to attain the MDGs, noted the Secretary-General, those commitments "remain only partially realized."

The international community's pledges to help Africa are well known, and no new promises are required, Mr. Jean Ping, president of the AU Commission, told the meeting's opening session. "The time has come for implementation," he declared. "We need a real schedule. We need firm funding commitments. We need innovative strategies. We need leadership."

General Assembly President Miguel d'Escoto, of Nicaragua, echoed that view,

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New trade pacts threaten regional unity

Africa and Europe haggle over trade arrangements

By **Gumisai Mutume**

Last November, a handful of the 14 member states of the Southern African Development Community (SADC) chose to sign new trade deals with the European Union (EU). Those that signed the interim Economic Partnership Agreements (EPAs), as they are known, did so to pre-empt the expiration of an earlier trade arrangement that had provided preferential access for some African exports into European markets. A few countries left the SADC negotiating group entirely to join other regional economic groupings that are also bargaining with the EU. The rest simply refused to sign.

These divergent responses resulted from the overlapping and often competing interests that emerged during the negotiations for the EPAs. Since 2002, the EU and African, Caribbean and Pacific (ACP) countries have been trying to reach an understanding on the new agreements. But interim EPAs were put forth after they failed to agree on the full package, and some ACP countries felt obliged to sign them.

"The most enduring legacy of interim EPAs is likely to be the potentially fatal blow they have dealt to feeble regional economic integration efforts in Africa," notes Mr. Peter Draper of the South African Institute of International Affairs (SAIIA) in Johannesburg. "With the exception of the East African Community, which signed as a bloc, every other regional grouping in the subcontinent fractured."

UN Secretary-General Ban Ki-moon, in a report to a 22 September high-level meeting in the General Assembly on Africa's development needs, was also critical of the interim EPAs. Because they have been negotiated with individual countries, "without paying particular attention to existing regional economic communities," Mr. Ban argued, the interim EPAs "will slow down or unravel the regional integration agenda in the continent."

Alamy / Johann van Tonder

A clothing factory in Cape Town, South Africa. Several governments in Southern Africa worry that the European Union's interim trade agreements will make it harder for them to promote exports of manufactured goods.

Trade arrangements in question

Since 1975, the EU and ACP countries have shared special development cooperation arrangements under four Lomé Conventions and, since 2000, the Cotonou Agreement (named after the African cities in which they were signed). Through them, the EU provided trade preferences, aid and technical assistance to ACP countries. But such preferences in favour of African exports were deemed incompatible with the new global trade liberalization regimes that took effect in 1995 when the World Trade Organization (WTO) was established. The WTO demanded that the EU-ACP relationship be reshaped by December 2007, triggering the EPA negotiations (see *Africa Renewal*, July 2007).

From the outset, the EU chose not to negotiate with countries through their existing regional economic groupings, but instead created special negotiating blocs. That, coupled with the refusal by some countries to sign the interim EPAs, makes it difficult for countries to harmonize regional trade tariffs or schedule the eventual removal of duties on products originating in Europe.

The fact that regional groups and negotiating blocs include both least-developed countries (LDCs) and others has exacerbated the problems, since the EU treats their imports differently. The EU offers duty-free access to a large range of goods from LDCs on a non-reciprocal basis (that is, the LDCs can impose tariffs on EU products, while the EU does not reciprocate). Yet many non-LDC countries had also benefitted from preferential trade terms under the Cotonou Agreement, which were withdrawn at the end of 2007.

Pressure to sign

Partly because of widespread opposition to EPAs among African governments, civil society organizations, unions and trade experts, the two sides failed to reach an agreement on deadline. Only 18 African countries initialled interim EPAs by the close of 2007. The signers included eight African LDCs. Since LDCs already enjoy duty-free access to the EU and therefore derived no direct benefit from signing interim EPAs, their decision to do

so points to the complexities of evolving EU-Africa trade relations. Some critics claim there have been political and economic pressures to sign.

Malawian President Bingu wa Mutharika has gone as far as to accuse the EU of "imperialism," saying it was punishing countries that resisted signing the EPAs by threatening to withhold aid. Alessandro Mariani, the head of the EU delegation to Malawi, denied there was any link between the EPAs and European aid, in Malawi or any other ACP country.

The politics of the current phase of EPA negotiations "are just as complex as [those of] the first," argues Mr. Draper of the SAIIA in South Africa. Different African countries within the same region, he notes, now have different interests. As a result, "some countries within regions are obliged to open their domestic markets to EU exports whilst others aren't." With some of their neighbours signing onto EPAs, those countries that have not may need to maintain robust border controls to prevent smuggling of European goods. Such controls could, in turn, further hamper intra-regional trade.

The Southern African Customs Union (SACU) faces particular challenges. Because of an earlier and separate accord with the EU, South Africa must follow stricter trade rules than do its SACU partners, Botswana, Lesotho, Namibia and Swaziland. Those four countries have more favourable access to European markets than South Africa does, complicating efforts to maintain SACU as a customs union.

'Subversion' and imbalances

"Regrettably, the impact of these EPA negotiations has tended to subvert our efforts towards regional integration," said former South African Deputy Foreign Minister Aziz Pahad. "Not only have SADC countries been parcelled into different EPAs," he pointed out, but the talks have created "deep cleavages" within SACU. South Africa, Angola and Namibia, he continued, have raised concerns about the imbalances in trade concessions included in the interim EPAs, as well as their "negative implications for regional integration."

SADC has 14 members: Angola, Botswana, the Democratic Republic of the Congo (DRC), Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. But in the EPA talks, two of them, the DRC and Tanzania, are negotiating under different bargaining blocs.

Among the rest, four (Swaziland, Mozambique, Botswana and Lesotho) initialled interim EPAs. Angola, Namibia and South Africa refused outright to sign, arguing that the accords would hinder their long-term economic development objectives.

Interim EPAs cover only goods, market access into the EU and development cooperation. But there is an understanding that signers would eventually negotiate liberalization of services and other trade-related issues, such as investment and government procurement. South Africa opted out of the negotiations mainly over EU demands that it liberalize services, including by opening up banking and tourism to European companies. South Africa also disagreed with an interim EPA clause that requires SADC signatories to extend to the EU any concessions they provide any other country in future trade agreements.

Namibian Ambassador to Brussels Hanno Rumpf has noted another problem. Under the interim EPAs, the EU is insisting that SADC governments stop using export taxes and levies to create incentives for local companies to add value to goods. Such government measures were intended to promote greater exports of manufactured products and thus lessen the SADC countries' dependence on exports of minerals and other raw materials.

Some African countries and a number of non-governmental organizations are pressing for a renegotiation of the most contentious features of interim EPAs. "It is important for countries that have initialled interim deals to be given the chance to renegotiate problematic clauses," notes the non-governmental group Oxfam. "The deals were finalized in haste, without sufficient time to analyse the potential implications of the provisions being agreed." The EU, however, is currently refusing to consider any renegotiation.

A high-level meeting on EPAs convened by the Commonwealth Secretariat in early 2008 in Cape Town, South Africa, declared that additional donor assistance "cannot compensate for poorly conceived and hastily drafted provisions of EPAs." Even if they have signed EPAs, the meeting declared, countries have a right to demand renegotiation to ensure the agreements' "consistency with national and regional development plans and aspirations." ■

Improving aid: 'much more to do'

Three years after donor agencies and recipient countries together agreed to improve the quality and effectiveness of aid to the developing world, there has been notable progress, Mary Chinery-Hesse, chief adviser to President John Kufuor of Ghana acknowledged. "From where we sit in Africa, we can reasonably assert that we see change," she told a high-level forum on aid effectiveness held in Accra, the Ghanaian capital, 2–4 September. However, change "is too slow," she added. "There is much more to do."

The forum, which drew 1,700 participants from around the world, including more than 100 ministers and 80 civil society representatives, assessed implementation of the Paris Declaration, signed in 2005 by scores of donor countries, multilateral agencies and aid recipient countries. They urged enhanced "ownership" of aid programmes by developing countries and encouraged donors to better coordinate their aid and align it with national priorities. A survey submitted to the Accra forum reported progress in a number of areas, but also that aid flows are still highly unpredictable and reporting requirements are complicated, costly and time-consuming.

Delays in aid, President Kufuor said, can "cause political disenchantment and render governments — especially democratically elected leadership — vulnerable." Ann Veneman, executive director of the UN Children's Fund (UNICEF), added, "Development finance often remains unpredictable, conditional and tied, while it should be aligned to countries' priorities and systems." The participants adopted the Accra Agenda for Action pledging, among other things, to strengthen country leadership, improve transparency in aid delivery and use, and permit greater involvement by civil society groups.

Harvest of hope

from page 3

the subsidy scheme with its own funds.

That move proved decisive, Kanayo Nwanze, vice-president of the UN's International Fund for Agricultural Development (IFAD), told *Africa Renewal*. "It was a very bold decision to provide subsidies for seeds and fertilizers over the objections of the development partners," he said, noting that during one meeting with senior Malawian officials a furious representative of a donor country had stormed out of the room. "But the government stood its ground and said 'We're going to do it. It is our programme and we're going to do it.'"

With success literally growing all around them, "the next year the donors supported it," Mr. Nwanze noted. It also made good economic sense, he continued, since the savings from reduced imports and increased export sales generated three to four times more revenue than the subsidies cost.

The importance of the Malawi subsidy programme for the rest of Africa, Mr. Nwanze observed, is that "it is a story that can easily be repeated in other parts of Africa" and has the potential to produce big gains in a short time at relatively modest expense. A growing number of countries, including Zambia, Ghana, Senegal and Kenya, have announced plans for similar subsidies and more governments are expected to follow suit.

The African Development Bank (ADB), often a critic of state interventions in economic affairs, announced in May that it had established a special fund to mobilize financial resources for greater fertilizer production and use, including subsidized sales to family farmers. The move was part of a $1 bn increase in the ADB's farm lending portfolio.

Failed policies

The new emphasis on smallholder farming and food self-sufficiency represents a sharp break with past policy by donors, international financial institutions and African governments alike. Since at least the 1980s, African governments have pursued structural adjustment policies mandated by the World Bank and IMF. These included focusing on high-value commercial and export crops and developing non-agricultural pursuits for those displaced by such activities. Government subsidies and marketing programmes were said to be too costly, to impede private business involvement and to be prone to mismanagement and corruption. Government withdrawal from agriculture, donors insisted, would allow the private sector to move in.

But as FAO and World Bank data show, investment in African agriculture instead went into a steep decline. This was reflected in reduced use of fertilizers and improved seed varieties, fewer agricultural extension and marketing services and a steady drop in crop yields, soil fertility and rural incomes.

A 2007 analysis of agricultural lending to Africa by the World Bank's Internal Evaluation Group confirmed that countries had been pressured into privatizing marketing and extension services and ending farm subsidy programmes to make room for private entrepreneurs and investors. But, the analysis added, such businesses too often failed to materialize.

In addition, FAO Director-General Jacques Diouf noted at a June 2008 food summit in Rome, the percentage of official development assistance devoted to agriculture dropped from 17 per cent to 3 per cent between 1980 and 2005.

The shift in emphasis away from agriculture, in particular smallholder food production, was no oversight. Under the pro-market, trade liberalization policies pursued by international financial institutions and many bilateral donor agencies, governments were advised to stay out of farming and allow commercial growers to produce niche-market products like flowers and seasonal fruits instead of low-value food items.

The view of these groups was expressed succinctly by then US Agriculture Secretary John Block, who, according to journalist and activist Martin Khor, told a world trade conference in 1986 that "the idea that developing countries should feed themselves is an anachronism from a bygone era. They could better ensure their food security by relying on US agricultural products, which are available in most cases at lower cost."

Dwindling donor support, the World Bank evaluation asserted, encouraged neglect by national governments as well. "As the decline in lending continued, so too did the decline in recognition within governments that agriculture was central to development." World Bank advice and structural adjustment policies have had a major impact on African agriculture, the study acknowledged, "but results have fallen short of expectations."

'An absolute disaster'

In the view of many agronomists and development economists, the results have been little short of ruinous. After being a net food exporter in the 1970s, Africa is now heavily reliant on commercial imports and emergency aid, the FAO reports. Some 42 African countries depend on imports in even the best of times. It is the only world region where crop yields per hectare have remained stagnant (see graph, opposite)

AGRA: For a green revolution in Africa

Addressing delegates to an international Feeding the World conference at Wageningen University in the Netherlands in September, the chair of the non-governmental Alliance for a Green Revolution in Africa (AGRA), former UN Secretary-General Kofi Annan, declared: "For Africa to again feed itself and rejoin the league of agriculture-exporting regions, we need an African green revolution," to increase the productivity and profitability of the continent's family farmers.

Since its launch in 2006 with funding from the US Rockefeller and Bill and Melinda Gates Foundations, AGRA has emerged as a major player in efforts to increase African food production. It promotes wider use of improved seeds and fertilizers, better extension and farming methods and easier access to credit for smallholders. It also calls for greater investment in rural infrastructure such as roads, irrigation systems and information technologies. In June AGRA signed an agreement with the UN Food and Agriculture Organization to help develop African "breadbasket areas" into major food-producing zones. AGRA also initialled an agreement with a US government development agency, the Millennium Challenge Corporation, to strengthen its food-security programmes.

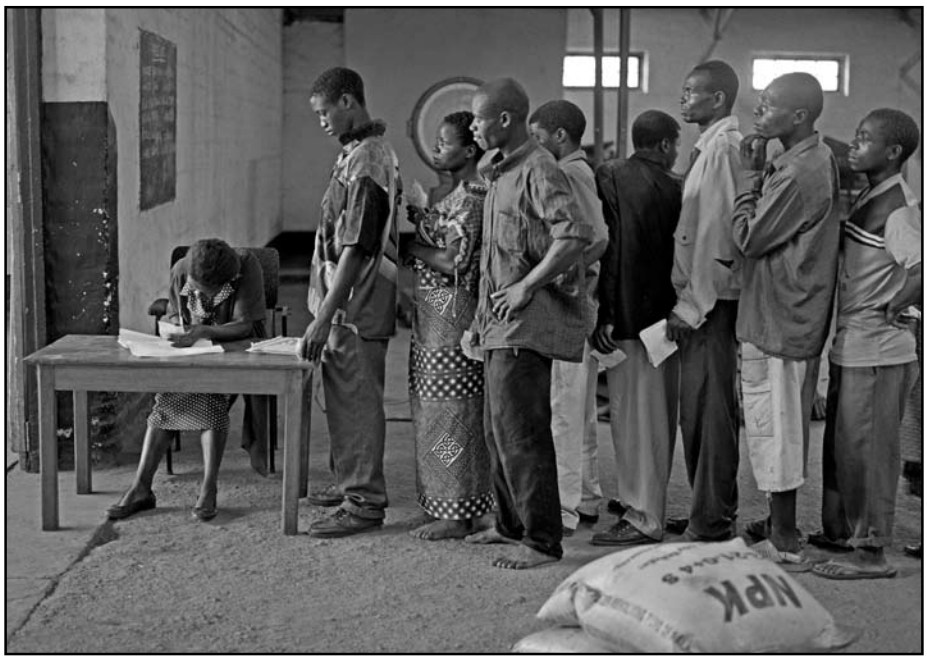
and where as many as one in three people are chronically malnourished.

"The end of government subsidies to African farmers because of structural adjustment programmes was an absolute disaster," says Akin Adesina, the vice president of the Alliance for a Green Revolution in Africa (AGRA), a non-governmental rural development initiative headed by former UN Secretary-General Kofi Annan that is a leader of international efforts to revive African agriculture.

"Today African farmers are almost the only ones in the world who receive absolutely no government support of any kind," he told *Africa Renewal*, noting that farmers in wealthy countries currently receive more than $300 bn in government payments annually. African farmers "are left on their own to sink or swim, and as we have seen they are simply sinking."

"What AGRA is saying," Mr. Adesina continues, "is that there is a need now to recognize that government has to play a role in subsidizing African farmers. The key with subsidies is to do them in ways that reach the poor and also build the market. We are calling those smart subsidies, and we are calling for smart subsidies all across Africa. If Malawi can do it, everyone can."

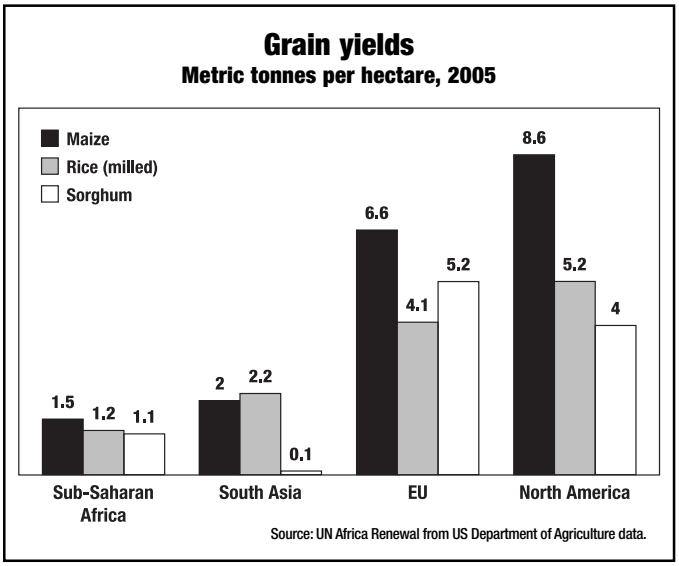
IFAD's Mr. Nwanze agrees. Previously, he explains, the depth of poverty in African farming communities made it impossible for most farmers to buy the improved seeds, fertilizers, tools and other inputs they need. "I can't for the life of me understand why [subsidies] have been blocked in the developing world. It's totally ridiculous. Here we are talking about an environment where most farmers have no access to credit and no access to inputs and we're telling governments that you cannot subsidize agricultural production."



Panos / Jan Banning

Malawian farmers queue up to purchase subsidized fertilizer: Although other African countries are showing interest in Malawi's example, some donor institutions remain wary.

For three decades, Mr. Nwanze notes, IFAD has worked with governments in developing countries to provide credit to family farmers, increase access to inputs and connect them to local and regional markets. "We have seen it work time and again. To me, smallholder agriculture is the key for those countries."



Arguing with success

But have the global food price shock, recognition of the economic importance of African agriculture and the Malawi success story brought the era of "sink or swim" policies to an end? Have they prompted a generous helping hand to Africa's hard-pressed, mostly female family farmers? Not quite.

Agronomists, economists and governmental and intergovernmental policymakers agree that neither subsidies nor fertilizer is by itself a solution to Africa's complex agricultural problems. Making African farming profitable, sustainable and productive will require land reform, political empowerment of rural communities, access to local, national and global markets and long-term investments in irrigation, sustainable fertilizer use and soil management, health and education, modern farm technology and extension services, and transport and communications systems. These strategic investments are detailed in the Comprehensive Africa Agriculture Development Programme of the continent's development blueprint, the New Partnership for Africa's Development (NEPAD).

There are also doubts about global and national political commitment. Only six of Africa's 53 countries have followed through on a 2003 commitment to devote 10 per cent of their national budgets to agriculture.

Internationally, the recent collapse of talks at the World Trade Organization, in part over the issue of subsidized Northern food exports to poor countries, suggests that powerful farm lobbies in wealthy countries still covet privileged access

to developing countries' markets at the expense of local producers. Europe's system of trade preferences for African and other developing country imports, dubbed the "everything but arms" initiative by EU trade ministers, has so many obstacles to agriculture imports that it is only half-jokingly referred to as the "everything but farms" agreement by critics.

Nor is everyone persuaded by Malawi's model subsidy programme, despite its success. Michael Morris, a World Bank economist and expert on fertilizer subsidies, confirms that there has been a shift in the Bank's thinking about smallholder agriculture and government subsidies. But he argues that government support for family farmers should be smaller, "smarter" and better targeted than in the past.

'It was a very bold decision to provide subsidies for seeds and fertilizers over the objections of the development partners. The government stood its ground.'

— Kanayo Nwanze, vice-president, International Fund for Agriculture Development

"The Malawi government is doing many things well" with its subsidy programme, he told *Africa Renewal*. However, "We do have some disagreement about tactics." Those disagreements, he says, concern the costs, whether the subsidies are creating dependencies or laying the basis for self-sustaining commercial sales, and whether the subsidies are reaching the intended beneficiaries.

"We're always being charged that the bank is being ideological and dogmatic about subsidies because economic theory tells us subsidies are bad," Mr. Morris notes. "The bitter experience was that when you had subsidies on fertilizer it really attracts . . . politically and economically powerful people who go after the fertilizer. I think that explains the ambivalence that the Bank has had about subsidies. What has changed is the recognition that things simply weren't happening on the ground. The private sector wasn't getting the job done."

Under such circumstances, he concedes, governments can target "market-smart" subsidies that "build the basis for a sustainable private-sector-led input distribution system that can function on its own." Even then, he cautions, "the conditions for using those subsidies are pretty rigorous. You really want to be targeting them not only at the end user but also at different stages along the whole supply chain. . . . There are lots of opportunities to use subsidies to lower costs in those various stages," including by providing financing and training for importers and distributors and by stimulating demand by educating farmers and distributing small demonstration packs.

Governments and donors must also evaluate the cost of fertilizer subsidies against other needs. Mr. Morris estimates that fertilizer subsidies now consume 60 per cent of Malawi's agriculture budget. "That's just a huge amount. There are many other things — extension services, irrigation, research — that are not being done as a result." Unless African governments incorporate an "exit strategy" into their subsidy programmes, he concludes, "you commit larger and larger amounts of money into something that will never be able to pay for itself. We need to think of other opportunities and other options. We have to pick our spots."

To date, however, Malawi's subsidy programme has more than paid for itself. And the government has cracked down at the first signs of abuse, by sacking a senior cabinet minister for selling subsidy coupons to wealthy farmers and by toughening eligibility requirements and oversight procedures.

In a video address to a special meeting of the UN Economic and Social Council on the world food crisis in May, President Mutharika called on the international community to help Africa support its farmers: "International stakeholders like the World Bank . . . should not continue with the feeling that they have all the solutions in Washington. They should listen to policymakers at the local level and learn from that."

The lesson from Malawi is that the seeds of food security can grow with just a little fertilizer and a lot of political commitment at the top. ■

Domestic savings

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cratic Republic of the Congo, Zambia and Kenya, mobile phone banking is taking services to remote areas where conventional banks have been physically absent or too expensive. Subscribers can open accounts, check their balances, pay their bills or transfer money (see *Africa Renewal*, January 2008).

Though few Africans have bank accounts, nearly 80 million have cell phones, according to the International Telecommunication Union. FinMark Trust, a research group seeking to make financial services more accessible, reports that 17 per cent of those who do not have bank accounts in Kenya and Botswana nevertheless own mobile phones. In Kenya, as many as 1 million people use M-Pesa, a mobile-payment scheme.

Aiming for investment

"Increasing savings and ensuring that they are directed to productive investment are central to accelerating economic growth," finds a 2005 report of the UN Department of Economic and Social Affairs, *Mobilizing Domestic Resources for Development*. It argues that "these objectives should therefore be central concerns of national policymakers."

Currently, however, African countries do not have the capacity to effectively channel domestic savings into productive investment because of "shallow financial systems" and ineffective financial institutions, notes Mr. Gayi of UNCTAD. He called for "innovative thinking," and suggested that countries set up a long-term investment fund. "Resources for this could be pooled from a wide array of financial-sector operators with large cash reserves, such as insurance companies, private banks or pension funds."

When there are commodity booms and unexpectedly high export earnings, Mr. Gayi says, "part of the windfall income can also be allocated to this fund" to kick-start the process. "Policies that help African countries enhance the mobilization and use of their domestic resources could be beneficial for the economy in general." ■

Closing poverty gap

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The three northern regions together have less than 9 per cent of Ghana's hospitals, although they account for more than 17 per cent of its total population. The ratio of health clinics to population is only slightly below the national average, but since the north is vast, most people must travel much longer distances and the extra costs can be prohibitive for the poor.

Disparities in health costs can also be serious within the north itself. According to one study cited by the UNDP report, the cost of treating malaria accounts for just 1 per cent of the income of rich households in northern Ghana, but 34 per cent of the income of poor households in the region.

'Dehumanizing cultural practices'

Across most social and economic indicators — from school enrolment to health to access to land — northern women and girls fare far worse than their male counterparts. That is true across Ghana (as in most countries worldwide), but the north in particular is influenced by the persistence of "dehumanizing cultural practices," says the *Ghana Human Development Report*.

School enrolment in the north has been hampered by the involvement of children in farm and domestic labour, notes Mr. Dordunoo. That has been a constraint especially for girls, because of prevalent attitudes that girls "shouldn't go to school." Female genital cutting remains widespread. "Those practices are still there, even though they are declared illegal."

Other practices are also common. Many young girls are abducted or forced into marriage at an early age. In the Northern Region only 2 per cent of landholdings are held by women, and in Upper West just 4 per cent.

Widows have few rights to inheritance. That is one reason the shea butter project in Tamale is so important, notes Ms. Yakubu. Many members of the shea association are in fact widows, with hardly any alternative sources of income or support. The modest incomes they can now earn have made it possible for some to build houses, buy land or secure medical care.

In a few respects, women in the north have made some symbolic gains. During the last parliamentary election in 2004, four women were elected in the Northern Region. They accounted for about 15 per cent of the deputies in the region, marginally higher than the 11 per cent rate for Ghana as a whole.

The social situation is complicated by the north's ethnic patchwork. There are about 15 different ethnic groups in the Northern Region alone, with varied histories, customs and traditions. While most get along well, tensions flare up sporadically, admits Mr. Dordunoo, with some ethnic groups feeling they have been given an "unfair deal" in access to resources or chieftaincy positions.

Many countries in Africa and other parts of the world are marked by regional inequalities, a reality that tends to get lost in discussions that focus mainly on national averages.

In late June, ethnic clashes again erupted in Bawku, in the Upper East Region, leaving more than a dozen people dead. Drawing an explicit link between such violence and the persistence of poverty, hundreds of women and children marched through the town to demand peace. "Conflict destroys," read some of their placards. "No peace, no development," declared others.

Development fund

The idea that a special national initiative is needed to overcome the gap between the north and south is older than Ghana itself. As early as 1953, representatives of the northern regions proposed to a constitutional assembly that a distinct institution be established to direct investment to the north "with the purpose of catching up" to the south.

The first post-independence government, that of Kwame Nkrumah, established a scholarship fund for students in the north, and most succeeding governments instituted various other measures, notes Mr. Nabila. "You can't single out any government and say that it has neglected the north." But political instability, numerous other pressing needs elsewhere in the country and harmful economic policies undercut those efforts, he explains.

In recent years, members of parliament, professionals, businessmen and others from the north have put forward renewed proposals to launch a northern development fund. The notion has won support from most of the main political parties, and as candidates campaign for the general election scheduled for December 2008, many are promising to generously finance such an initiative. During a campaign event in Tamale in late July, for example, the presidential candidate of the ruling New Patriotic Party pledged that he would put $1bn into such a fund if elected. Candidates of the main opposition party, the National Democratic Congress, have made similar promises.

Mr. Nabila is optimistic that a dedicated fund for the north will finally get off the ground. It "is now being pushed by the government, civil society, youth movements in the north, members of parliament and the Council of State. So it's really a concerted effort from all angles."

There is no single priority for overcoming the gap, argues Mr. Dordunoo. Infrastructure — especially roads and modern communications technologies — will be essential for breaking the north's geographical isolation. Since most northerners engage in farming and livestock herding, a "very aggressive" agricultural development programme is also needed, to provide small-scale farmers with fertilizer, seeds and irrigation. Meanwhile, he adds, "I would not trade off education and health for anything."

Mr. Nabila points to a geological survey from his own West Mamprusi district to highlight the north's potential for mining. "There are quite a lot of minerals there." The development of the shea butter, cotton, groundnut and manufacturing industries will also be vital, he adds.

If young people are provided with new opportunities, today's southward flow of migrants may be stemmed. "If we can really have a development agenda well grounded in the north," says Mr. Nabila, "we can have an expanding economy that will absorb the extra labour and ensure expanded, universal education. If there are jobs, they will stay." ■

Southern partners

from page 7

OECD countries that are not members of the DAC are also becoming increasingly important donors, including the Czech Republic, Hungary, Iceland, Korea, Mexico, Poland, the Slovak Republic and Turkey. Several non-OECD countries, including Israel and Kuwait, are also emerging as key donors. However, among the new donors, China is by far in the lead. China does not publish its aid budget but the OECD estimates that the country provides more than $5 bn in aid annually. India and Russia contribute about $100 mn each, while all the other new donors provide less than $10 mn each.

Extension of foreign policy

Because China and India are the largest new donors, a lot of attention has focused on their policies. According to a recent World Bank study, the commercial activity of Chinese and Indian companies in Africa is actively supported by their governments. Through the Export-Import Bank of China and the China Development Bank, the government provided export credits, loans and investment guarantees to Chinese investors totalling $800 mn in 22 countries at the end of 2005. In a similar fashion, the Export-Import Bank of India extended a line of credit totalling $558 mn in 2006 to African countries.

Such government backing has sometimes led to "the perception that the overseas activities of Chinese and Indian companies are an extension of the two countries' foreign policies," notes Harry Broadman, an economic adviser at the World Bank (who adds that US and European policies have similarly used aid to advance their private sectors).

Such perceptions, says Mr. Broadman, author of a 2007 study, *Africa's Silk Road — China and India's New Economic Frontier*, "can be a public-relations headache for Beijing and New Delhi, given some of the downsides of these activities for Africans." He cites a number of imbalances in their economic relationship with Africa. Africa's exports to Asia remain limited. Meanwhile, typical Chinese and Indian investments in Africa, such as large-scale oil or mineral exploration projects, are capital-intensive and create few new jobs. Other investments, as in textiles, sometimes displace African producers. "Competition can spur African firms to become more efficient, but it can also create unemployment and inflict other social costs," Mr. Broadman says.

Investment from India and China, like most other investment coming into Africa, has largely been in the extractive sectors, such as oil and mining. The two countries are however diversifying into apparels, food processing, retail, real estate, fisheries, tourism, power plants and telecommunications. "China and India are pursuing commercial strategies with Africa that are about far more than resources," the World Bank report acknowledges. ■

'Walk the talk'

from page 15

stating that Africa did not need the international community to make more commitments, but rather "the courage to live up to the words we have spoken many times over."

Concern on aid

Increased trade opportunities, debt relief, technical assistance and foreign investment are all vital for helping to generate more resources for Africa's development, declared the meeting's final political declaration. But it is especially important to enhance official development assistance (ODA). In that regard, many participants welcomed the pledges in 2005 by the industrialized countries' Group of Eight to double their aid to Africa by 2010. However, while some donors have scaled up their efforts, overall ODA has risen slowly. "We are concerned that, at the current rate, the goal of doubling aid to Africa by 2010 will not be reached," said the declaration.

A number of donor country leaders strongly agreed with that concern, and vowed to work harder. The European Union's commitment to contribute 0.7 per cent of its gross domestic product in aid by 2015 will be achieved, French President Nicholas Sarkozy promised, speaking on behalf of the EU. Such aid "is not simply from the heart," he said. "It is motivated by reason. We know that the development of Africa is first and foremost an investment in our common future."

Denmark has already achieved the target of contributing 0.7 per cent of its GDP in aid, and allocates two thirds of that amount to Africa, reported Minister of Development Cooperation Ulla Tørnaes. "We must remain focused on Africa," she affirmed, and invited other donor countries to join the "small 0.7 per cent club."

Roads and food

While Africa can do more to mobilize domestic resources, acknowledged Mr. Kaberuka of the African Development Bank, the amount of financing needed for essential infrastructure is beyond its means. The continent's lack of adequate roads, railways, power networks and other infrastructure hampers its economic development and makes it very expensive for countries to transport goods. Such infrastructure is vital for helping Africa move away from its dependence on exports of oil, minerals and other raw materials, he said. "You cannot process cotton without power."

South African Foreign Minister Nkosazana Dlamini-Zuma added that Africa needs new technology to keep up with its energy needs. In addition, she said, Africa seeks international support "for the green revolution that Africa has initiated."

The European Commission, reported its president, Mr. José Manuel Barroso, has proposed a €1 bn food facility to help developing countries acquire essential farming inputs. The international community, he affirmed, must help "African farmers grow more food for Africans."

Through its own efforts and with complementary support from the rest of the world, the obstacles to Africa's development can be overcome, President Kikwete concluded. "Africa is not a hopeless case. Neither are we desperate. We are determined to wrestle ourselves out of our predicament." ■

AFRICA AGENDA

29–30 October 2008, Kigali (Rwanda) — East Africa International Business Forum 2008. Organized by the Commonwealth Business Council, in association with the government of Rwanda, Rwanda Investment and Export Promoting Agency and East African Business Council. Tel (44) 20 7024 8200, fax (44) 20 7024 8201, website <www.cbcglobal.org>

3–6 November 2008, Nanjing (China) — Fourth World Urban Forum. Organized by UN Habitat. Tel (86) 25-52327591 / 52327597, fax (86) 25-52327590, e-mail <wuf@unhabitat.org>, website <www.unhabitat.org/wuf>, <www.wuf4.com>

17–21 November 2008, Takayama (Japan) — Seventh Global Conference on Human Development. Organized by the Institute of Cultural Affairs International. E-mail <info@icai-conference.org>, website <www.japan2008.org>

12–14 November 2008, Tunis (Tunisia) — Third Annual African Economic Conference. Organized by the African Development Bank and UN Economic Commission for Africa. Contact Désiré Vencatachellum, tel (216) 71102205, fax (216) 71103779, e-mail <d.vencatachellum@afdb.org> and Patrick N. Osakwe, tel (251) 11-5443409, fax (251)11-5513038, e-mail <posakwe@uneca.org>, website <www.afdb.org>

18–19 November 2008, Gauteng (South Africa) — Africa Investment Forum 2008. Organized by the Commonwealth Business Council and the Gauteng Economic Development Agency. Contact Sunayna Sethi, tel (44) 20 7024 8219, e-mail <sunayna.sethi@cbcglobal.org>, website <www.cbcglobal.org>

19–21 November 2008, Addis Ababa (Ethiopia) — Sixth African Development Forum. On the theme "Action on gender equality, empowerment and ending violence against women in Africa." Organized by the UN Economic Commission for Africa, in collaboration with the African Union and African Development Bank. Tel (251) 11 5445098, fax (251) 11 5510365, e-mail <ecainfo@uneca.org>, website <www.uneca.org>

29 November–2 December 2008, Doha (Qatar) — International Conference on Financing for Development. Will review implementation of the Monterrey Consensus of 2002 and identify obstacles, actions to overcome them, and new challenges and emerging issues. Tel (212) 963-2587, fax (212) 963-0443, website <www.un.org/esa/ffd/>

1–12 December 2008, Poznan (Poland) — UN Climate Change Conference. To help prepare a new global framework for the period after 2012. Tel (48) 22 579 28 59, fax (48) 22 579 28 19, e-mail <info@cop14.gov.pl>, website <www.cop14.gov.pl/>

15–17 December 2008, London (UK) — International HIV/AIDS Conference. Organized by the Africa Health Research Organization. Contact Abubakar Yaro, tel (44) 7939848695, e-mail <abubakar@ahro.kabissa.org>, website <www.ahrohivaids2008.org/>

21–23 January 2009, Bern (Switzerland) — International Dimensions of Climate Policies Conference. Organized by the University of Bern, Switzerland. Contact Seraina Buob, tel (41) 31 631 45 09, fax (41) 31 631 39 92, e-mail <seraina.buob@vwi.unibe.ch>, website <www.nccr-climate.unibe.ch>

WHAT HAS TAKEN PLACE

25 September 2008, UN, New York (US) — Secretary-General's High-level Event on MDGs. Website <www.un.org/millenniumgoals/2008highlevel/>

6–10 October 2008, Cape Town (South Africa) — 15th Annual Africa Oil Week 2008. The world's largest event on oil exploration and the gas industry in Africa. Contact Babette van Gessel, e-mail<babette@glopac.com>, website <www.petro21.com/>

7–8 October 2008, Fez (Morocco) — 4th Environmental Symposium of the German-Arab Scientific Forum for Environmental Studies. On theme "Climatic Changes and Water Resources in the Middle East and North Africa." Contact Fathi Zereini, tel (49) 69-798-40242, fax (49) 69-6666-595, e-mail <info@german-arab-scientific-forum.de> or <zereini@iau.uni-frankfurt.de>, website <www.german-arab-scientific-forum.de>

AFRICA BOOKS

China Returns to Africa: A Rising Power and a Continent Embrace, eds. Chris Alden, Daniel Large and Ricardo Soares de Oliviera (Columbia University Press, New York, USA, 2008; 400 pp; hb $75)

Etat et corruption en Afrique, eds. G. Blundo and J-P Olivier De Sardan (Karthala, Paris, France, 2007; 376 pp; €26)

Healthcare Services in Africa: Overcoming Challenges, Improving Outcomes, ed. Chinua Akukwe (Adonis & Abbey, London, UK, 2008; 264 pp; pb £27.99)

Le politique par le bas en Afrique noire by Jean-François Bayart, Achille Mbembe and Comi Toulabor (Karthala, Paris, France, 2008; 228 pp; €25)

Africa and the Third Millennium, ed. George Klay Kieh, Jr. (Africa World Press, New Jersey, USA, 2008; 326 pp; pb $33.99)

L'Angola postcolonial : Guerre et paix sans démocratisation by Christine Messiant (Karthala, Paris, France, 2008; 420 pp; €29)

Isolement global: La modernité du village au Togo by Charles Piot (Karthala, Paris, France, 2008; 232 pp; €25)

Saviors and Survivors: Darfur, Politics, and the War on Terror by Mahmood Mamdani (Random House, Inc., New York, NY, USA, 2009; 304 pp; hb $21.95)

Tears of the Desert: A Memoir of Survival in Darfur by Halima Bashir and Damien Lewis (Random House, New York, NY, USA, 2008; 336 pp; hb $25)

Climate Change and Forests: Emerging Policy and Market Opportunities, eds. Charlotte Streck et al (Brookings Institution Press, Washington, DC, 2008; 360 pp; hb $69.95)

Gardons espoir pour le Rwanda: Entretiens avec Laure Guilbert et Hervé Deguine by André Sibomana (L'Harmattan, Paris, France, 2008; 312 pp; €25)

Comment l'agriculture fabrique ses paysages by Yves Poinsot (Karthala, Paris, France, 2008; 240 pp; €24)

Gukurahundi in Zimbabwe: A Report on the Disturbances in Matabeleland and the Midlands, 1980-1988 (Columbia University Press, New York, USA, 2008; 448 pp; pb $34.50)

African Women and Representation: From Performance to Politics by Therese Migraine-George (Africa World Press, New Jersey, USA, 2008; 305 pp; hb $33.99)

Human Health and Forests: A Global Overview of Issues, Practice and Policy, ed. Carol J. Pierce Colfer (Earthscan Publications., London, UK, 2008; 352 pp; hb $127, £65)

Africa: Atlas of Our Changing Environment *(United Nations Environment Programme, Nairobi, Kenya, 2008; 374 pp; hb $150)*

Chronicles the impact of climate change on the land and peoples of Africa. Combining striking satellite imagery, land photographs and scientific narrative, the book tracks the dramatic changes in Africa's climate and topography over the past 30 years, often presenting areas as they appeared in the 1970s and 1980s alongside contemporary images for easy comparison. A must-have for all those concerned about Africa, global warming, the environment and humanity's impact on our fragile and endangered earth. Available through the website: <www.earthprint.com>

To The Brink: The State of Democracy in South Africa by Xolela Mangcu (University Of KwaZulu-Natal Press, Durban, South Africa, 2008; 208 pp; pb £24.99)

Can NGOs Make a Difference: The Challenge of Development Alternatives, eds. Anthony J. Bebbington, Samuel Hickey and Diana C. Mitiln (Zed Books, London, UK, 2007; 370 pp; pb £19.99)

South Africa in Contemporary Times by Godfrey Mwakikagile (New Africa Press, Pretoria, South Africa, 2008; 260 pp; pb $17.95)

AFRICA WATCH

UNIFEM

More women elected in Africa

Women were the big winners in Angola's 5 September parliamentary election, taking 81 of the legislature's 220 seats, nearly triple the 21 women who gained seats in the last election in 1992. The vote was won handily by the ruling People's Movement for the Liberation of Angola (MPLA), which has governed the war-battered country since independence in 1975.

The result placed Angola second only to Rwanda as the African country with the greatest percentage of women in parliament. Women took 56 per cent of parliamentary seats in Rwanda's 15-18 September legislative poll. That election made Rwanda the country with the world's largest percentage of women parliamentarians and the only national legislature in which women are a majority. Both Rwanda and Angola are now among the top ten countries worldwide in women's parliamentary representation.

Overall, however, notes a recent report by the UN Development Fund for Women (UNIFEM), women remain significantly underrepresented in the corridors of power. Internationally, fewer than one in five parliamentarians are women. Although the number is growing, the study, *Progress of the World's Women 2008-2009* (<www.unifem.org/progress/2008>), estimates that at current rates women will only achieve parity in the world's legislatures by 2045.

The limited presence of women in decision-making positions, the report notes, makes it difficult to challenge gender discrimination in the allocation of national resources and in economic and social life. Women still earn 17 per cent less on average than men, make up the majority of workers performing unpaid family labour and spend a staggering 40 bn hours annually collecting and transporting water because of the low priority assigned to investments in infrastructure of particular value to women. "Discrimination on this scale after decades of national and international commitments," the report states, "is symptomatic of an accountability crisis."

Overcoming this crisis, UNIFEM says, is "mission critical." It will require legislative action to protect women's rights, gender-sensitive reform of government and of private-sector procedures and regulations, and efforts to challenge sexism and discrimination in social and cultural life. Quotas and other specific benchmarks for empowerment, the study finds, have succeeded both in increasing women's participation in political life and in improving governance as a whole. ■

UN MEDIATION

Nigeria turns disputed peninsula over to Cameroon

UN Secretary-General Ban Ki-moon applauded the transfer of sovereignty of the disputed Bakassi Peninsula from Nigeria to Cameroon on 14 August, ending a decades-long dispute between the two West African neighbours that threatened regional peace and stability. The accord, Mr. Ban said in a statement read at the handover ceremony, was "a testament to the determination and resolve of both countries." Their success, he continued, "has provided the world with a model for the peaceful resolution of sensitive disputes."

Claims over the potentially oil-rich peninsula, dating from the colonial era, brought Cameroon and Nigeria to the brink of war in 1981, and sporadic clashes between the security forces of the two countries continued for years. In 2002 the International Court of Justice ruled in Cameroon's favour. But the verdict proved politically unpopular in Nigeria and among some inhabitants of the peninsula, who trace their origins to Nigeria. Mr. Ban praised the "patience and perseverance" of the parties, who finalized the last details of the handover with the aid of UN mediators. ■

APPOINTMENTS

UN / Jean-Marc Ferre

The UN General Assembly has confirmed the appointment of Ms. **Navanethem Pillay** of South Africa (left) as the new UN high commissioner for human rights. Ms. Pillay, who assumed the post on 1 September, is the first African to be appointed to the position. After becoming the first woman to start a law practice in her home province of Natal in 1967, Ms. Pillay lectured at the University of KwaZulu-Natal and was vice-president of the University of Durban Westville. She also served as a judge on and was president of the UN's International Criminal Tribunal for Rwanda and as a judge at the International Criminal Court from 2003 to 2008.

UN / Michelle Poiré

Mr. **Festus Mogae** (right), the former president of Botswana from 1998 to 2008, has been appointed by the UN Secretary-General as one of his special envoys on climate change. He was appointed with Mr. **Srgjan Karim** of the former Yugoslav Republic of Macedonia, the immediate outgoing president of the UN General Assembly, and will join three other climate change envoys appointed in May 2007: Dr. Gro Harlem Brundtland, former Norwegian prime minister, Mr. Ricardo Lagos Escobar, former president of Chile, and Mr. Han Seung-soo, former minister of foreign affairs of the Republic of Korea.

UN / Eskinder Debebe

The UN Secretary-General has appointed Ms. **Angela Kane** of Germany (left) as the new UN under-secretary-general for management. Since 2005 Ms. Kane was the assistant secretary-general for political affairs. She replaces Ms. Bárcena Ibarra of Mexico, who has been named executive secretary of the UN Economic Commission for Latin America and the Caribbean.

The World Intellectual Property Organization, a UN specialized agency, has appointed Mr. **Francis Gurry** of Australia as its new director-general. Mr. Gurry joined WIPO in 1985 as a consultant and has held various posts within the organization since that time, most recently as deputy director-general. He replaces Mr. Kamil Idris of Sudan.