OECD Journal

General Papers

Special issue

African development:
The role of climate change, investment, security and gender empowerment

Volume 2009/1

OECD Journal: General Papers

Volume 2009/1

The OECD Journal collection comprises six periodicals: OECD Journal: Economic Studies, OECD Journal: Financial Market Trends, OECD Journal: Competition Law and Policy, OECD Journal: General Papers, OECD Journal on Budgeting, OECD Journal: Journal of Business Cycle Measurement and Analysis. Each periodical within OECD Journal retains its own ISSN, volume and issue numbering. The volume numbering of each journal corresponds to the calendar year, e.g. Volume 2009. Volume 2009 of OECD Journal: General Papers contains four issues.

OECD

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The OECD is a unique forum where the governments of 30 democracies work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD member countries are: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The Commission of the European Communities takes part in the work of the OECD.

OECD Publishing disseminates widely the results of the Organisation's statistics gathering and research on economic, social and environmental issues, as well as the conventions, guidelines and standards agreed by its members.

This work is published on the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of the Organisation or of the governments of its member countries or those of the New Partnership for Africa's Development.

Corrigenda to OECD publications may be found on line at: *www.oecd.org/publishing/corrigenda*.

Table of Contents

Climate Change and Africa

This paper was prepared jointly by the NEPAD Secretariat and the APF Support Unit for the 8th meeting of the Africa Partnership Forum held on 22-23 May 2007[1].

It was written by Estherine Fotabong and Brian Ngo under the leadership of Olukorede Willoughby and David Batt and with editing support from Raundi Halvorson-Quevedo.

1. Some of the figures and information in this text have been updated since its original publication in May 2007 to reflect recent trends.

Introduction

Climate change is a major threat to sustainable growth and development in Africa, and the achievement of the Millennium Development Goals. Africa is particularly vulnerable to climate change because of its overdependence on rain-fed agriculture, compounded by factors such as widespread poverty and weak capacity. The main longer-term impacts include: changing rainfall patterns affecting agriculture and reducing food security; worsening water security; decreasing fish resources in large lakes due to rising temperature; shifting vector-borne diseases; rising sea level affecting low-lying coastal areas with large populations; and rising water stress.

The purpose of this paper is to focus on how the international community and African governments themselves need to respond, within the UN Framework Convention for Climate Change (UNFCCC) of current commitments and future negotiations. Action plans have been agreed by the G8 at their Summits in Evian and Gleneagles. At its January 2007 Summit, the African Union highlighted the scale of the problem and called for an urgent international response. In March, the European Union (EU) agreed to detailed action to reduce its greenhouse gas (GHG) emissions by 20% from their 1990 level by 2020. Climate change will be discussed again by the G8 at their 2008 Summit. In December, parties to the UNFCCC will meet in Poznan, Poland to begin the discussions about the successor to the Kyoto Protocol when it expires in 2012. It is important that Africa should speak with a strong unified voice in future international negotiations, and that this voice should be heard.

The response needs to take into account not only Africa's acute vulnerability but also its legitimate development needs, and the broader principles of equity and fairness in a global framework to reduce global GHG emissions. Action is needed at a number of different levels. Faster progress is needed on reducing global emissions. Africa faces massive challenges in adapting to the impact of climate change and in managing the increased levels of climate risk: increased support and financing for this is essential. Africa's needs to develop its energy must be recognised. Current carbon finance mechanisms are not delivering the resources which Africa needs and should be re-examined. African governments themselves need to integrate their response to climate change fully into economic planning and management at both the national and regional levels.

Section I of the paper provides the context. Section II summarizes the key commitments of development partners and African governments. Section III describes Africa's vulnerabilities to climate risk in greater details. Section IV discusses the need for mitigation efforts, primarily by the developed countries but also support for Africa to develop cleaner energy. Section V looks at the challenges of mainstreaming adaptation to climate risk and lessons from current practice in Africa. Section VI reviews current financing mechanisms for climate adaptation and some proposals for reform to address their shortfalls.

Strong commitments to emission reductions by developed countries, and incentives for major developing countries to cut emissions will be the key both to minimising the negative impact of climate change on Africa and to mobilising greater flows of carbon finance. It is thus urgent for *all countries* to agree on a long-term global stabilisation goal on GHG emissions and ways of allocating the effort equitably. Strong and effective commitments to reducing global emissions, including incentives for key developing countries to cut emissions, will be essential in the successor to the Kyoto Protocol when it expires in 2012. Development partners must work with Africa to establish a system to support avoided deforestation. The next UN Framework Convention on Climate Change (UNFCCC) meetings in 2008 and 2009 will be a key part of this process.

African governments have taken a number of important initiatives have already been taken, including the 'Action Plan on Climate Information for Development Needs' launched by the African Union, African Development Bank and UN Economic Commission for Africa. Twenty two countries have now developed National Adaptation Programmes of Action (NAPAs). At the same Africa's extreme energy poverty – the rate of access to electricity is around 25% in sub-Saharan Africa – must be recognised within any overall global agreement on emission limitations. Half of sub-Saharan African countries have experienced power crisis over the last 2 years. In addressing the energy access challenge, some countries in Africa could rely on potentially important bio-fuel sources. Developing Africa's huge hydropower potential, of which less than 4% is currently utilized, also presents a unique set of challenges and opportunities.

Mainstreaming adaptation into development. In most of Africa, climate is infrequently integrated into development policy and investment decision-making. Adaptation to climate change should be understood as a continuous process which addresses current climate variability and extremes and future climate risks. Over time climate change may alter general climatic conditions leading to more frequent occurrences of climate extremes. Hence, climate change and its associated impacts on biophysical systems require also the integration of a forward-looking perspective into decision-making processes to ensure that changes in climate risks are recognized and addressed where necessary and possible.

Thus, for *African governments*, managing climate risk must rapidly shift from a purely environmental concern to addressing a growing threat to development. But because the impact of climate variability, e.g. the occurrence of a drought, often cannot be distinguished from that of climate change, managing both current and future climate risks should be an integral part of development processes at both the national and regional levels, and involve a cross-sectoral approach that needs to be reflected in the budget and thus the need for greater attention by ministries of finance. This is a shared responsibility, which requires political will from developed and developing countries. *Development partners* must deliver on their commitments to support African countries to adapt to the unavoidable effects of climate change. That includes scaling up efforts to improve and increase access to climate data; investment and transfer of technologies for adaptation in key sectors; developing and implementing best practice guidelines for screening and assessing climate change risk in their development projects and programs in climate-sensitive sectors; mainstreaming climate factors into development planning and implementation; and providing significant additional investment in disaster prevention.

Much more resources are needed for climate risk management in Africa. Only a tiny portion (less than 1%) of official development assistance (ODA) and concessional lending is specifically directed to adaptation. The Adaptation Fund, resourced by a 2% tax on clean development mechanism transactions (CDM) is a new source of funding for adaptation distinct from ODA. The CDM, a project-based mechanism designed to promote investment in projects that reduced or sequestered emissions of green house gases in developing countries, has the potential to provide funds to those countries but has not delivered for Africa. *Development partners and African countries* must review carbon finance mechanisms to make them more easily accessible to Africa for climate adaptation and to help Africa meet its energy requirements while moving to cleaner energy. This must be accompanied by efforts to raise awareness about the potential benefits of CDM in helping African countries develop new sectors such as renewable energy, and support by external partners for capacity development to elaborate and certify CDM projects (see Table 1 for more detail).

Table 1. Matrix of Key Policy Areas and Action Points on Climate Change

KEY POLICY AREAS	KEY ACTION POINTS	
	Development Partners	**African Governments**
Global GHG emissions mitigation	Agree on a global GHG target at a level that prevents dangerous climate change, including incentives for key developing countries to cut emissions, in the successor to the Kyoto Protocol when it expires in 2012, beginning with the next UN Framework Convention for Climate Change (UNFCCC) meeting in Indonesia in December 2007. Ensure that necessary funding is available to support full implementation of the Clean Energy and Development Investment Framework being developed by the World Bank and the African Development Bank. Develop urgent plans to reduce deforestation, recognising the importance of conserving Africa's rainforests as a global public good, and reviewing in particular the treatment of 'avoided deforestation' under the Clean Development Mechanism.	Agree on a global GHG target at a level that prevents dangerous climate change and to take a more pro-active approach to the preparation of the next UNFCCC Conference of Parties meeting in Poznan, Poland (December 2008) in respect of the leading proposals for global emissions control, by evaluating these through the lens of equitable access to carbon finance. Continue efforts to strengthen the business environment in order to attract greater private sector investment, including in the Clean Development Mechanism (CDM). Work with the international community and other stakeholders to facilitate progress in reducing deforestation in Africa.

Table 1. Matrix of Key Policy Areas and Action Points on Climate Change *(continued)*

KEY POLICY AREAS	KEY ACTION POINTS	
	Development Partners	**African Governments**
Mainstreaming adaptation into development	Provide substantial additional and predictable financial support and technology transfer to help meet the additional costs of adaptation, including for the development of climate-related information and early warning systems. Through concerted action, help to build the capacity of African governments and regional economic bodies in addressing climate risk adaptation. Close the financing gap for the 10-year 'ClimDev Africa' programme developed jointly by the African Union, the African Development Bank and the UNECA, in order to help address gaps in climate risk management. Fulfil their 2005 agreement to develop and implement good practice guidelines for screening and assessing climate change risk in their development projects and programs in climate-sensitive sectors.	Strengthen actions to integrate the impact of climate change into national development strategies and existing sector policies (including energy, water, land use and agriculture). Build national and regional capacity in Africa to adapt to climate change and review progress in this area on a regular basis. Make stronger efforts to assess their development projects and programmes in their sensitivity to current and future climate risks. Improve access of local communities to weather and climate-related information and to the knowledge of best coping strategies.
Resources to support Africa in addressing current and future climate risks	Expedite decisions on policies and eligibility procedures concerning the Adaptation Fund to provide additional resources required by Africa. Scale up financial support and, in collaboration with the private sector, financing for the development and sharing of low carbon technology and energy efficiency with Africa. Facilitate and promote greater access to the carbon market and other GHG-friendly activities for Africa, together with the establishment of new mechanisms to provide additional resources from official and concessional sources and through innovative financing mechanisms;	Evaluate the various carbon finance options (access rules and procedures) in preparation for a more pro-active positioning at the next UNFCCC Conference of Parties meeting in Poznan, Poland in December 2008. Work to strengthen African voice in future international negotiations.

I. Context

Climate change is emerging as one of the most important challenges of the 21st century. Eleven of the last twelve years (1995-2006) rank among the 12 warmest years of global surface temperature since 1850. According to the recent report of the Intergovernmental Panel on Climate Change (IPCC),[2] more intense and longer droughts have been observed over wider areas since the 1970s, particularly in the tropics and subtropics. The frequency of heavy precipitation events has increased over most land areas, and widespread changes in extreme temperatures have been observed over the last 50 years. Recent trends show a tendency towards greater extremes: arid or semi-arid areas in northern, western, eastern and parts of southern Africa are becoming steadily drier and increased magnitude and variability of precipitations and storms.

Even if the concentrations of all GHGs and aerosols were kept constant at year 2000 levels, further warming would be expected. The mid-range IPCC emissions scenario projects an increase in global mean surface air temperature relative to 1990 of about 2°C by 2100. Average sea level is expected to rise by about 50 centimetres from the present to 2100. From the various scenarios of emissions, large regions of Africa and more particularly the Sahel and part of southern Africa will experience warming in the range of 3 to 6°C by 2100. Concomitant with rising temperatures, the world will also experience very significant changes in precipitations with North Africa, the Sahel and southern Africa most severely affected, with precipitations declining by more than 20% compared to levels of 1990.

The above projections show that most regions of the world will be affected. But Africa is particularly vulnerable to climate change because of its high proportion of low-input, rain-fed agriculture compared with other regions of the developing world. The climate change challenges to Africa are further compounded by other aggravating factors such as widespread poverty and weak capacity.

II. Commitments on climate change for Africa

Until around 2000, climate discussion focused solely on mitigation. Prevention of long-term impacts on the planet's climate systems was sought through reductions in emissions of GHGs, known as "mitigation". The first assessment report of the IPCC, which alerted the world to the problem of the runaway greenhouse effect, led to the governments of the world agreeing at the United Nations Framework Convention on Climate Change (UNFCCC) in 1992 at the Rio Earth Summit to take measures to stabilise their emissions. In 1995, the second IPCC assessment report led to the negotiation of the Kyoto Protocol.[3]

Since then, adaptation to climate change is increasingly recognized as a necessary complementary measure to mitigation. The IPCC's third assessment report in 2001 alerted the

[2] IPCC Fourth Assessment Report entitled "Climate Change 2007".

[3] The Kyoto Protocol treaty was negotiated in December 1997 and came into force February 16th, 2005. The Kyoto Protocol is a legally binding agreement under which signatories (industrialised) countries will reduce their collective emissions of greenhouse gases by 5.2 percent on average over the five-year period of 2008-12 compared to the level in 1990.

world to the unavoidable impacts of climate change in the near term and raised the need to cope with climate change impacts through "adaptation". In particular, it pointed out that poor countries would be more vulnerable and would need assistance to adapt. Climate change has shifted from being perceived as an environmental issue to becoming a growing threat to development to both low-income countries that are poorly equipped to adapt to rapidly changing climatic risk and to more developed economies where sustainability would also be at risk.

G8 countries began to discuss the impacts of climate change in Africa in Evian (2003) by agreeing to strengthen international co-operation on global earth observations with a view to developing fully operational regional climate centres in Africa through the Global Climate Observing System (GCOS).[4] At Gleneagles (2005), G8 countries' action plan shifted to a broader approach of energy efficiency, clean technology and support for adaptation. The proposed package includes improvements to energy efficiency; harnessing funding for clean technology in developing countries; support for development of markets for clean energy technologies and to increase their availability in developing countries; and helping vulnerable communities adapt to the impact of climate change.

Progress in the implementation of G8 Commitments has been modest. On financing the transition to cleaner energy, the World Bank and AfDB are jointly developing a framework to accelerate the adoption of cleaner, more efficient energy production and use.[5] The recent adoption of an 'Action Plan for Africa on Climate Information for Development Needs (or *ClimDev Africa*) is the culmination of a multi-year effort by the GCOS-UNECA-Africa Union partnership to address gaps in mainstreaming adaptation into policy (see Section 5 for more detail). The action plan has been approved, but so far only seed money has been pledged. Tools for climate risk management are being developed and this has stimulated co-ordinated efforts between the World Bank, the AfDB and other partners; but progress has been slower than expected.

Actions are also taking place outside the G8 context on global GHG emissions. The European Union has recently agreed to cut GHG emissions by 20% in 2020 compared to 1990 levels. Separately, the UK proposes to set legally binding carbon emissions reduction of 60% by 2050. In the U.S., the state of California has passed new legislation to cut GHG emissions. In late 2006, fifteen U.S. institutional investors managing assets worth US$ 1600 billion issued a statement calling for urgent and effective action by policymakers and companies to address the threats posed by rising GHGs.

The African Union is also raising climate change adaptation as a key priority and seeks more support for adaptation and better integration of climate in development programmes. At its January 2007 meeting, the African Union called for the integration of climate change adaptation strategies into African national and sub-regional development policies and

[4] The Global Climate Observing System (GCOS) was established in 1992 to ensure that the observations and information needed to address climate-related issues are obtained and made available to all potential users. It is co-sponsored by the World Meteorological Organisation (WMO), the Intergovernmental Oceanographic Commission (IOC) of UNESCO, the United Nations Environment Programme (UNEP) and the International Council for Science (ICSU).

[5] The World Bank's "Clean Energy for Development Investment Framework" covers three different areas: i) energy for development and access by the poor; ii) transition to low-carbon economy; and iii) adapting to climate change. See World Bank (2007).

programmes and activities. It also demanded that developed countries undertake deeper cuts in GHG emissions and implemented the "polluter pays" and "differentiated responsibilities" principles as provided for in the UNFCCC. On financing, it called for the urgent streamlining of the Global Environment Facility (GEF) funding mechanisms to ease African countries' access to GEF financial resources; and the exploration of other financial resources and mechanisms to support Africa's adaptation programmes.

III. Climate change compounding Africa's existing risks and vulnerabilities

Africa is highly vulnerable to climate change with the areas of particular concern being water resources, agriculture, health, ecosystems and biodiversity, forestry and coastal zones. The longer-term impacts will include: changing rainfall patterns affecting agriculture and reducing food security, worsening water security and economic growth prospects; shifting temperature affecting vector diseases; and more challenging hurdles in reaching the Millennium Development Goals (MDGs). According to the recent IPCC report, the cost of adaptation in Africa could be as high as 5 to 10% of the continent's GDP.

Agriculture and food security at stake. African agriculture is particularly vulnerable to the effects of climate change. Whilst these are likely to differ across the continent, most of Africa relies on rain-fed agriculture and is therefore highly vulnerable to changes in climate variability, seasonal shifts and precipitation patterns. Long-term projections indicate that agricultural output (without carbon fertilization) could be reduced by 28 per cent by 2080, more than any other region. This would further adversely affect food security and exacerbate malnutrition in the continent. In some countries, yields from rain-fed agriculture could be reduced by up to 50% by 2020.[6]

Half of Africa will face water stress. Three-quarters of African countries are in zones where small reductions in rainfall could cause large declines in river water. Climate models show that by 2025, it is expected that 25 African countries will be subject to water scarcity or water stress.[7] Patterns of precipitation and runoff are likely to change substantially with rain in fewer, heavier events that will lead to more floods and dry spells while ground water recharge will diminish, making it more difficult to improve access to safe water. Recent country-level studies suggest that the impacts of hydrology and rainfall variability on economic development are significant. In Ethiopia, it was estimated that droughts and floods have reduced economic growth by more than one third. The problem of water scarcity is even more acute in North Africa in view of the very high population growth rates and already high rates of water resource use.[8]

Diseases will likely spread. The health effects of a rapidly changing climate are likely to be overwhelmingly negative. Africa is already vulnerable to a number of climate-sensitive diseases such as Rift valley fever, which afflicts both people and livestock; cholera, associated with both floods and droughts; and malaria, where warming climate has resulted in the

[6] IPCC (2007b).

[7] IPCC (2007b).

[8] UNECA (2005).

extension of malaria to the highlands of Kenya, Rwanda and Tanzania. These factors are superimposed upon existing weak health systems.

Risk to coastal areas could force major population movements. Sea level rise resulting from global climate change threatens coasts, lagoons and mangrove forests of both eastern and western Africa. More than a quarter of Africa's population live within 100 kilometres of the coast, and projections suggest that the number of people at risk from coastal flooding will increase from 1 million in 1990 to 70 million in 2080. Local food supplies are projected to be negatively affected by decreasing fisheries resources in large lakes due to rising water temperatures, which may be exacerbated by continued over-fishing.

The direct and indirect effects of climate change could further undermine peace and stability in the continent. Climate change impacts and their interaction with other vulnerabilities and environmental exposures will likely lead to significant population migrations internally as well as across borders with severe humanitarian impacts further undermining peace and stability. Scarce water resources are another contributor to an increased risk of conflict.

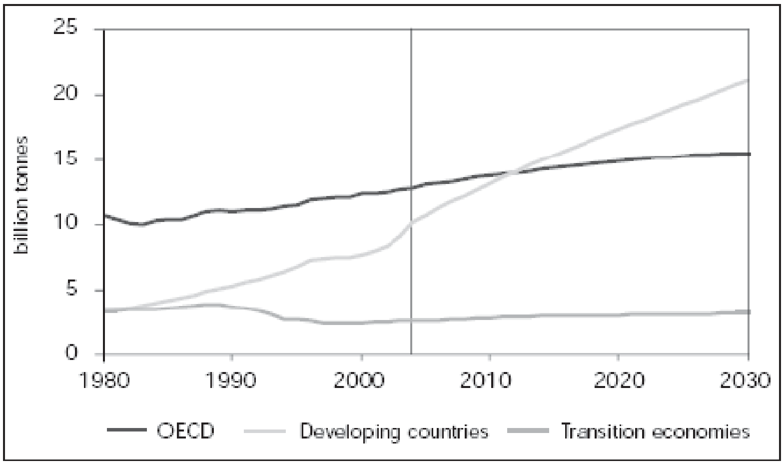
More efforts will be needed to cost the impacts of climate change and to inform and sensitize domestic audiences. While the impacts of climate change are becoming better known, more efforts are needed to assess and estimate their socio-economic implications; costing of the impacts will help highlight the development nature of climate change, as contrasted to a more narrow environmental issue, and thus attract attention of economists and development planners. Also, given that most adaptation efforts will take place at the local and sub-national levels, additional efforts are needed to better inform domestic audiences (e.g. mayors and local communities) on the impacts of climate change.

IV. Mitigation efforts and clean energy development

Strong commitments to emissions reduction by the industrialised countries within the UNFCCC will be instrumental. While important steps have been initiated in Europe, cooperation of all major GHG emitters is needed. Without new policy initiatives by other industrialised countries, total emissions from OECD countries will continue to rise in spite of the recent EU initiative. It is thus urgent to agree on a long-term global target on GHG emissions. As shown in Figure 1, under the World Energy Outlook 2006 reference scenario that assumes no change in policies, global CO_2 emissions would continue to rise by an average annual rate of 1.6%,[9] with two-thirds of the increase coming from developing countries.

[9] International Energy Agency, *World Energy Outlook 2006*.

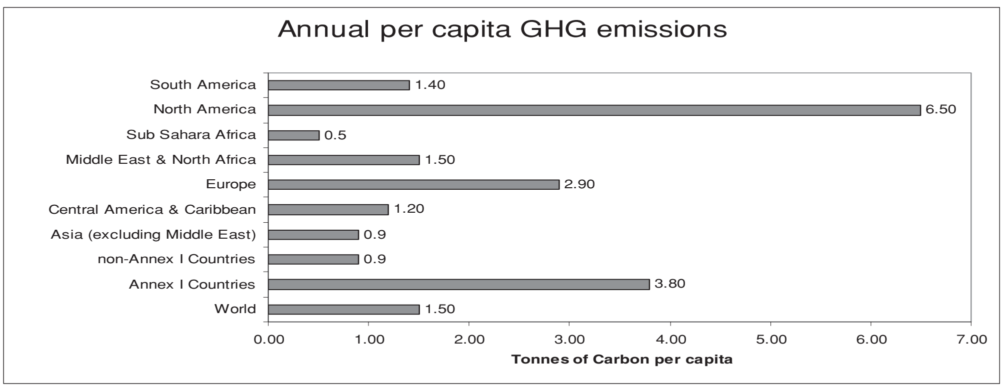
Figure 1. Energy-related CO_2 Emissions by Groups of Countries



Source: World Energy Outlook 2006, Figure 2.9

Africa's very low emissions and extreme energy poverty demand a more equitable allocation of carbon resources. More than 550 million Africans lack access to electricity. While North Africa has achieved almost universal access to electricity, the rate for sub-Saharan Africa is around 25%. As a result, an average African generates 13 times less GHGs than his counterpart in North America (Figure 2) and the continent accounts for less than 4 percent of the world total GHG emissions.

Figure 2. Annual Per Capita GHG Emissions



Source: DFID, unpublished (2007).

Assisting Africa's development of its largely unexploited hydropower potential would help to meet its objective of increasing energy access while limiting GHG emissions. Less than 4% of Africa's hydropower potential is currently utilized. To help unlock this potential will require actions on several fronts. At the national level, changes in regulatory frameworks to facilitate the connection of small local electricity grids to larger national grids would encourage the development of small-scale, run-of-the-river hydro-schemes. At the sub-regional level, there is the need to further encourage cross-border energy trading as illustrated by regional power-pools. At the international level, larger official development assistance (ODA) from development partners together with foreign and local private sector participation is needed. A major effort in developing Africa's hydropower will help achieve the objective of improving energy access, but care must be taken to consider the implications of large hydro projects on water resources and river basin management. Run-of-the river hydropower projects avoid some of the drawbacks of larger dams and thus may be preferable where this option is available.

Compensating for avoided deforestation is another way to limit GHG emissions. Deforestation is responsible for 20% of annual global CO_2 emissions and constitutes the main source of GHG from many developing countries. According to the Food and Agriculture Organisation, around 130 thousand square kilometres—equivalent to four times the size of Belgium--of forest areas are lost each year. Brazil and Indonesia are the worst affected countries but six of the ten largest forest losses are in sub-Saharan Africa.[10] Avoiding deforestation is currently not eligible either under the Clean Development Mechanism (CDM)[11] or the multi-billion-Euro European carbon market. The past decade has also witnessed a sharp reduction in ODA directed to the forestry sector that reached an all-time low in 2004 of only 0.3% of total ODA.[12]

Larger aid would help but financial incentive schemes would be needed to reduce deforestation. A better understanding of what is driving deforestation and the economic incentives for landholders to clear forests could help to entice them to conserve forests. Much deforestation takes place to convert forest areas to relatively low return uses. This suggests that financial incentives may not need to be very high to reduce deforestation very significantly (Box 1). Financial incentive schemes would need to be designed carefully and be accompanied by a package of measures to address poverty and protect the vulnerable.[13]

Promoting clean cooking and heating and biofuels are other approaches to limit GHG emissions. Switching from traditional biomass to kerosene, LPG or biogas would, in

---

[10] They are Congo Democratic Republic, Nigeria, Sudan, Tanzania, Zambia, and Zimbabwe.

[11] See Section 6 for more detail on the CDM.

[12] Falling ODA to forestry projects is in great part attributed to the sharp shift in ODA toward social sectors, and in particular to the health sector. As a share of total ODA, support for the forestry sector has been severely reduced, along the lines of similar trends in support to agriculture and the productive sectors.

[13] See Grieg-Gran (2006) for simulations based on works done in Costa Rica and Mexico. In Costa Rica, landowners enrolled in the national payments for environmental services scheme are paid USD64 per ha for conserving their forest. In Mexico, communities which protect their forest are receiving USD$27 per ha or USD36 if they have cloud forest.

addition to helping the environment, produce significant positive health effects. Acute respiratory diseases are among the largest 'killers' in developing countries. Botswana offers useful lessons of large-scale substitution from firewood to LPG. Biofuels--transport fuels derived from biomass--may play a role in a small number of countries such as Mauritius and Zimbabwe that have developed successful and potentially important biofuels based on large sugarcane production. But overall, the prospects of biofuels in Africa remain modest under current technologies.

Box 1. Priorities for Tropical Forests

A recent World Bank policy research report by Chomitz, "*At Loggerheads? Agricultural Expansion, Poverty Reduction and Environment in the Tropical Forests*" provides a comprehensive framework that integrates sustainable forest management into the global strategy for mitigating climate change and preserving biodiversity.

The report identifies three types of forests and distinct priorities for each. In frontier and disputed areas, sorting out and guaranteeing forest rights is critical to mitigate deforestation, reduce conflicts, and improve rural livelihoods. In areas beyond the agricultural frontier, such as the Amazon and Congo basins, quick actions to head off the social and environmental impacts of future agricultural expansion is the main challenge. For mosaic lands that are often overlooked and where forests and more intensive cultivation co-exist, payments incentives--such as for example GEF-sponsored projects in Colombia, Costa Rica, and Nicaragua that pay farmers to maintain their forests and shift cattle from degraded pastures to agro-forestry systems--offer carbon and biodiversity benefits. New institutional arrangements and technologies can help poor people to counterbalance powerful competing interests that tend to capture forest resources. Costa Rica has nearly eliminated deforestation by making it illegal to convert forest into farmland. In the Cameroon, forestry reforms include transparent allocation of forest concessions and royalties, and the employment of independent observers who use low-cost satellite imagery satellite to detect illegal logging.

Global carbon finance could be a powerful incentive to stop deforestation. Under the Kyoto Protocol, a group of developed countries have accepted obligations to reducing GHG emissions. They may meet those obligations in part by assisting developing countries to realize GHG emissions reductions through e.g. shifts to cleaner energy sources (cleaner energy production or re/afforestation). While the Protocol allows credit for some types of afforestation and reforestation, it does not recognize avoidance of deforestation as a source of emissions reductions for a number of technical issues related to the verifiability and risk of non-permanence of the carbon credits (in case of forest fires). However, the UNFCCC is now discussing the possibility of incorporating avoided deforestation into the global climate mitigation system through carbon credits.

The Clean Energy and Development Investment Framework constitutes the main effort to help developing countries increase access to energy services, to control GHG, and adapt to climate risk. The World Bank, together with the African Development Bank, the Africa Infrastructure Consortium and the European Investment Bank are working with other partners to raise Africa's energy access from the current 25 to 35% by 2015 and to 47% by 2030, moving along five parallel tracks: (1) scaled-up programs of household electrification; (2) additional generation capacity (including regional projects) to serve newly connected households and demand from enterprises, public facilities and other users; (3) provision of energy services for key public facilities such as schools and clinics; (4) provision of stand-alone lighting packages for households without electricity service; and (5) access to clean cooking, heating and lighting fuels. Besides ODA, the framework is designed to increase private sector participation in each of these areas.

Recommendations on mitigation

For all countries

- To agree on a long-term global stabilisation goal and a means of allocating the effort equitably and in line with the common but differentiated responsibilities of the UN Framework. Strong commitments to emission reductions by developed countries and other major emitters will be key both to minimising the negative impact of climate change on Africa and to mobilising greater flows of carbon finance.

For development partners

- To ensure that substantial additional and predictable financial support is available to help Africa meet the additional costs of adaptation, including for the development of climate-related information and early warning systems and the implementation of the Clean Energy and Development Investment Framework being developed by the World Bank and the African Development Bank.

- To help build the capacity of national governments in addressing climate risks and joint efforts by Africa and development partners in strengthening regional institutions.

- To work with African governments and other stakeholders on helping to fight deforestation combining institutional changes, technologies and carbon credit mechanisms.

For Africa

- That Africa, with support from its partners, take a more pro-active approach to the preparation of the next UNFCCC Conference of Parties in Poznan, Poland (December 2008) with respect of the leading proposals for global emissions control, by evaluating these through the lens of equitable access to carbon finance.

- To work with the international community and other stakeholders to facilitate progress in reducing deforestation in Africa.

- To continue to improve the environment for investment to encourage private sector investment in carbon finance.

V. Mainstreaming adaptation in development: challenges, gaps and lessons

Africa has the lowest GHG emissions, yet is hit hardest by climate change. Adaptation to the unavoidable impacts of climate change will need strong support by the international community and involve all stakeholders including the private sector. Adaptation to climate change should be understood as a continuous process which addresses both current climate variability and extremes and future climate risks. In Africa and in developing countries in general, actions by local communities that are most directly affected play a very important role. Linking climate change adaptation and disaster risk management thus becomes a logical first step. But there is the urgent need for African governments to recognize that future climatic conditions may be much different from present ones--and thus the need to anticipate rapid changes through improved forecasts and planning and to develop new coping strategies. Lastly, climate change adaptation is complex and given the many constraints facing Africa such as low institutional and technological capacity and the lack of reliable climate information, major support by the international community will be needed.

The Africa Union together with the African Development Bank and UNECA[14] launched "ClimDev Africa",[15] a plan of action on climate information aimed at mainstreaming climate information into decision-making for African development. The 10-year, 3-phase programme addresses four principal gaps in integrating climate into development policy: (i) the gap in raising awareness for broad ownership, support and communication to adapting to climate variability and change; ii) the gap in climate risk management for strategic planning and disaster risk reduction; (iii) climate-based services support to governments, the private sector and civil society; and (iv) observations, data management and infrastructure to provide essential data to cover the first three gaps. In spite of the G8 commitment and strong support by key African institutions full funding of the program has yet to be realized.

Integrating climate change adaptation must start with raising awareness that more variable and more intense climatic conditions are expected and encourage policy changes that reflect this change. The lack of strategic leadership by central governments is reflected in weak sectoral planning and policies. Raising the awareness of development planners and others and augmenting their ability to respond efficiently by means of appropriate training and support will facilitate integration of National Adaptation Action Plans (NAPAs) into national development strategies.

Integrating climate risk management into development practice. While agriculture has traditionally been the focus of attention on climate change impact, nearly every sector is sensitive to climate change and will need to adapt to future conditions. Adaptation must be approached cross-sectorally and should no longer be perceived as only the responsibility of the environment ministry. Involving the Ministry of Finance is crucial to reflect adaptation efforts in the budget. One key element in integrating climate risk management into development practice is reaching people at the level of communities. Integrating climate information into the risk management strategies of communities with climate-sensitive livelihoods depends on effective use of communication infrastructure and networks to support dialogue with users, to facilitate awareness and education campaigns, and to receive feedback so that users can influence the services they receive.

Climate observations and data management play pre-eminent roles in disaster management and climate adaptation. Awareness raising within National Meteorological and Hydrological Services and the climate community of broader development issues as well as specific information needs such as those of agricultural extension workers and rural communities have proved to play a critical role as shown in the case of Mali for weather-related agricultural information to farmers and drought-related information to other stakeholders.

---

[14] United Nations Economic Commission for Africa.

[15] "The Climate Information for Development Needs: An Action Plan for Africa".

In linking climate change adaptation and disaster risk management, it is crucial at the local level to build in more systematic efforts to address climate variability. In particular, it is important to recognise the specificity of different sectors and activities. For example, planting practices can change from season to season to adapt to climate variability. Climate change, which has imposed in part of Southern Africa, shifts in crop mix--such as moving from water-intensive corn cultivation to more traditional crops--require more preparations. Given the long life of major infrastructure such as dams, greater consideration of changes in the next 20, 30 or 50 years is needed.[16] Also, field-level experiences show that climate adaptation measures are easier to approach from the perspective of programmes rather than through individual activities, thus highlighting the importance of cross-sectoral approaches.[17]

Practical implementation of climate change adaptation requires a deeper understanding of the barriers, motivation, and incentives (or lack thereof) to adaptation both by African governments and the donor community. For governments, the main barriers may be, among others:

- the lack of adequate human and institutional capacity to deal with uncertainty,
- lack of guidance,
- conflict with competing agendas, often driven by external partners,
- aversion to change, and
- difficulties in working with non-state bodies and local communities.

Learning from good experiences. In the case of Mexico, the creation of an Inter-sectoral Commission on Climate Change as the leading agency, new legislation that favours the preservation of wetlands over tourism development and an integrated framework led by the central and state governments but providing strong local autonomy for implementation has helped better prepare the country to disaster management.[18] The examples of Mozambique after the severe flood of 2000 and of Ethiopia after the famine of 1983-84 also show that major catastrophes have helped mobilise the political will to improve disaster preparedness. The Ethiopian Disaster Prevention and Preparedness Agency intervenes in three main areas: disaster prevention, preparedness, and response (Box 2). Prevention and response activities are more traditional roles. Preparedness activities aim both to reduce the impacts of disasters and to allow the response to be more effective. This is where climate information plays an important part, within the national early warning system.

---

[16] Works on the inter-linkages between disaster risk management and adaptation to climate change is being carried by the Vulnerability and Adaptation Resource Group (VARG). For detail, see Sperling and Szkeley (2005).

[17] See UNFCCC (2007).

[18] See Levina (2007) for more detail.

Box 2. Climate Adaptation – Lessons from Six Country Case Studies

The International Research Institute for Climate and Society (IRI) of Columbia University (New York City) highlighted how incorporating appropriate climate information into development decisions allows small farmers to manage climate risk. See Hellmuth et. al (2007) for more detail:

1. Climate adaptation is most effective when meteorological (among other) information is oriented towards achieving development outcomes: Mali's Meteorology Directorate launched a project some 25 years ago with external funding, to provide climate information to farmers. Over the years, the project has evolved into an extensive and effective collaboration between government agencies, research institutions, media, extension services, and representative farmers that has resulted in better decisions and higher yields.

2. Reducing climate-related risks requires multi-level stakeholder coordination and communication. Institutional innovation must be encouraged; Mozambique's collaboration to predict flood hazard as discussed above).

3. Weather information must be credible. Information and communication technologies, the media, and extension services are vital components of improved information systems: Ethiopia has responded to the challenges of its climate with an early warning system that enables mitigation measures to be put in place before drought-related disaster strikes. Early warning helps the country and development partners to assess the need for emergency relief and to be prepared to deliver when it is needed.

4. Innovations for managing climate related-risks are being developed and deployed with private sector participation: in Malawi, a private sector initiative that bundles insurance based on an established relationship between lack of rainfall and crop failure and a loan to help farmers purchase seeds and fertilizers have received strong support by farmers. With more variable and intense climate, weather-related crop insurance may have more limited prospects.

5. More efforts are needed to assess the socio-economic impact of adaptation and the value of meteorological information.

Development partners also face similar barriers and motivation in their effort to help mainstream adaptation. An analysis of six developing countries by the OECD[19] shows that donor projects and programs potentially affected by climate risks can be as high as 50 to 65% in the case of Nepal. Yet, specific references to climate change risk are very sparse due to the lack of detailed climate information at the local level, the complexity in projecting climate extremes and analytical challenges. Existing environmental guidelines consider only the impact of a project or activity on the environment but not the impact of the environment and climate risk factors on the project. More sophisticated screening tools and approaches are needed. It is hoped that the joint declaration by OECD development and environment ministers in 2006 for improving the integration of climate change in developing activities undertaken with partner countries will raise the exposure of the interplay and help to prioritise the needed response.

Operationally, both the WB and AfDB are gearing up to assist countries with climate risk management through: i) raising awareness about climate risks within the two institutions; ii) experimenting with climate proofing of existing projects using GEF funds (in Kenya, Malawi and Madagascar); iii) consolidating disaster management (ex-post

19 OECD (2005).

rebuilding/rehabilitating) and climate risk management--the WB has recently set up a new global facility for disaster risk management--; and iv) developing new tools to screen development projects for climate risk management and to climate-proof them. Among the internal procedures being considered to address climate risks, the two institutions propose to begin due diligence review for climate-proofing, starting with 5-10 percent of the portfolio and gradually increasing the coverage.

Adaptation is projected to cost developing countries many billion of dollars a year, increasing pressure on development budgets. Changing climatic conditions make it increasingly difficult to extrapolate the costs of adaptation from past practices. The first estimate is based on preliminary calculations by the World Bank of the additional cost to adapt or climate-proof new investments financed each year by development aid, domestic resources and foreign direct investments. For all yearly investments in the developing world estimated at about $2 trillion the majority of which are domestic investments, and assuming that the percentage of these investments that are sensitive to climate risk vary between 5-20 percent, total yearly adaptation costs are estimated to range from $4 to 37 billion each year. A recent update by UNDP[20] using 2005 as a base year put the mid-range of the costs of adaptation at about $37 billion each year. The second estimate comes from an analysis by the UNFCCC[21] using a sectoral approach. For the world as a whole, it was estimated that additional investments needed for adaptation in 2030 could be as high as $170 billion, a large share of which is accounted by infrastructure. The costs for developing countries are estimated at $57 billion and could be as high as $100 billion per year several decades from now. Extrapolating from the submitted National Adaptation Plans of Action (known as NAPAs), Oxfam[22] estimated that the costs of adaptation for all developing countries at $33 billion. While there is considerable debate as to the value of these figures, they provide a useful order-of-magnitude estimates against which current available resources for adaptation in developing countries can be considered[23].

The costs posed by the need for Africa to adapt to climate change makes it more urgent that international assistance for adaptation be given highest priority. Besides ODA and various commitments to scale up aid, there are several funds developed under the UNFCCC to support developing countries. These will be discussed in the next session. Other financing options such as levies on Joint Implementation projects[24] should also be considered. Finally, international private financing either separately or through FDI projects to meet host country regulatory requirements can play a significant role. Through public-private partnership, ODA can be used to promote the development of climate-related insurance.

[20] UNDP, Human Development Report (2007), pp. 192-95.

[21] UNFCCC, Report on the Analysis of Existing and Potential Investment and Financial Flows Relevant to the Development of an Effective and Appropriate International Response to Climate Change, (2007).

[22] Oxfam, Adapting to Climate Change - What's Needed in Poor Countries, and Who Should Pay? Oxfam Briefing Paper, May 2007.

[23] Joint efforts are under way by the World Bank, the UK and the Netherlands to develop new methodologies for assessing the benefits and costs off planned adaptation and to help classify adaptation measures according to the level of priority.

[24] Similar in concept to the 2% levy on CDM projects that finances the Adaptation Fund.

Funding is critical but implementing adaptation by developing countries will need other types of support from external partners and sub-regional initiatives. The second African regional workshop on adaptation[25] that took place in Accra last September highlighted the importance of capacity support (e.g. in using general circulation models or GCMs at national levels to project possible future climate change) and the transfer of low-carbon technologies to Africa where very limited engagement by the private sector and continuing concerns about intellectual property rights have severely restricted technology transfer. The promotion of regional co-operation efforts was generally recognized as highly desirable in the areas of surveillance and early warning systems, sharing of experiences, and the development of transboundary adaptation projects involving water-sharing of Africa's 50 river basins.

Recommendations on adaptation

For development partners

- To provide substantial additional and predictable financial support and technology transfer to help meet the additional costs of adaptation, including for the development of climate-related information and early warning systems.

- To close the financing gap for the 10-year 'ClimDev Africa' programme developed jointly by the African Union, the African Development Bank and the UNECA, in order to help address gaps in climate risk management.

- To fulfil their 2005 agreement to develop and implement good practice guidelines for screening and assessing climate change risk in their development projects and programs in climate-sensitive sectors.

For Africa

- To integrate climate issues into economic planning and management at both the national and regional levels, including through high-level inter-ministerial co-ordination at national level and an increased role for Regional Economic Communities, and to review progress in this area on a regular basis.

- To make stronger efforts to assess their development projects and programmes in their sensitivity to current and future climate risks.

- To continue to improve the environment for investment to encourage private sector investment in carbon finance activities.

VI. More resources and support are needed for climate risk management in Africa

Coping with climate change in Africa requires support for mitigation, adaptation and for low-carbon cleaner energy. While Africa is the hardest hit continent by climate change and

[25] UNFCCC (2006 and 2007).

has the weakest coping capacity, resources to help Africa manage disaster risk and adaptation to climate change are limited and segmented. The insufficiency of technology co-operation and limited action to reduce deforestation were discussed earlier. The equally important issue of helping Africa overcome its energy poverty is not discussed here.[26] This section discusses more specifically constraints of financial resources designed to help Africa participate in carbon emissions trading and adapt to climate change.

Resources for adaptation are woefully inadequate and need to be scaled up. Existing funding mechanisms are very modest in relation to needs. Bilateral donors have started to support developing countries' efforts in addressing climate adaptation. At the multilateral level, funding for adaptation totalled around $50 million per year between 2001 and 2006, most of which are financed through the Global Environment Facility (GEF). Under the UNFCCC, three funds have been established to help cover the cost of adaptation to climate change in developing countries. They include: 1) the Least Developed Countries Fund; 2) the Special Climate Change Fund; and 3) the Strategic Priority on Adaptation that are funded by voluntary contributions and operate under the GEF. A fourth facility, the Adaptation Fund was created under the Kyoto Protocol, using a 2% levy on carbon credits generated by Clean Development Mechanism (CDM). This fund is estimated to be worth around $200-300 millions currently and could reach $440 million by 2012. The Adaptation Fund has only been operational recently.

There have been a number of new proposals designed to generate additional revenue for adaptation. The common characteristics of these proposals are that they involve generating revenue through action in the carbon market, or more broadly through carbon or international travel-related taxes or levies, rather than from conventional ODA funding sources derived from public expenditure. Discussions on these new initiatives are continuing and effective resource mobilisation is expected to take some time.

Carbon finance has the potential to generate tens of billion of dollars per year of investments in developing countries. As of end-2007, proceeds from the sale of emission credits from CDM projects amounted to US$7.4 billion, a 50% increase in value over 2006. The overall carbon market has also risen sharply over this period, reaching $60 billion in 2007 or 6 times its value in 2005. The CDM thus provides developing countries with a significant source of carbon finance to help promote sustainable development. But although the CDM has proven successful in generating emission reduction projects in many developing countries, Africa accounted for only 5% of CDM transactions in 2007. It is therefore imperative that African governments both capitalise on existing carbon market opportunities, and develop a clear African position for post-2012 negotiations, in order to increase the flows of carbon finance needed for Africa to meet the challenges of climate adaptation and sustainable development.

Where emissions reduction is easily harvested, greater use of carbon finance for development purposes are numerous. There has been significant progress in implementing the CDM as shown by the large number of new CDM projects. In the case of China, the CDM fund provides an illustration of how a country can further maximize the utilization of

[26] See Africa Partnership Forum (2007) and World Bank (2007) for more detail on financing energy in Africa.

carbon revenues beyond specific projects to finance future climate-friendly investments.[27] But the CDM has so far by-passed Africa. While there is strong demand from African countries to benefit from this mechanism, only 2 percent of CDM projects in the pipeline that will be reviewed by the UNFCCC CDM Executive Board are hosted in Africa (Table 2). And while South Africa (with 27 CDM projects) and North Africa countries still account for most of the projects, a number of countries in sub-Saharan Africa (outside of South Africa) such as Uganda, Kenya, Nigeria and Tanzania are working on several projects each.[28]

Table 2. Regional Distribution of CDM Projects

Total in the CDM Pipeline	Number		kCERs	2012 kCERs		Population	2012 CER per cap.
Latin America	798	**19,2%**	77941	423727	**14,9%**	449	0,94
Asia & Pacific	3174	**76,5%**	463533	2259111	**79,6%**	3418	0,66
Europe and Central Asia	42	**1,0%**	4066	19670	**0,7%**	149	0,13
Africa	84	**2,0%**	18410	98074	**3,5%**	891	0,11
Middle-East	53	**1,3%**	8261	37525	**1,3%**	186	0,20
Less developed World	4151	**100%**	572211	2838107	**100%**	5093	0,56

Source: UNEP (2008).

Where emissions reduction is easily harvested, greater use of carbon finance for development purposes are numerous. There has been significant progress in implementing the CDM as shown by the large number of new CDM projects. In the case of China, the CDM fund provides an illustration of how a country can further maximize the utilization of carbon revenues beyond specific projects to finance future climate-friendly investments.[29] But the CDM has so far by-passed Africa. While there is strong demand from African countries to benefit from this mechanism, only 15 out of 500 CDM projects that have been reviewed and accepted by the UNFCCC Executive Board are being implemented in Africa. And most of these projects are in South and North Africa.[30]*Where emissions reduction is easily harvested, greater use of carbon finance for development purposes are numerous*. There has been significant progress in implementing the CDM as shown by the large number of new CDM projects. In the case of China, the CDM fund provides an illustration of how a country can further maximize the utilization of carbon revenues beyond specific projects to finance future climate-friendly investments.[31] But the CDM has so far by-passed Africa. While there is strong demand from African countries to benefit from this mechanism, only 15 out of 500 CDM projects that have been reviewed and accepted by the UNFCCC

---

[27] The Chinese Government has introduced a levy on CDM revenues and uses the proceeds to promote clean energy development.

[28] One of the reasons Africa has not benefited from the CDM mechanism is its very low level of CO_2 emissions. High investment climate risks also make Africa less attractive to potential investors. A recent study by the OECD (Ellis and Kamel, 2007) identifies different barriers that can impede the development of CDM projects. These include national-level barriers not related specifically to the CDM such as electricity-related regulations that constrain generation by independent power producers. Others obstacles are project-related including little or no availability of project finance and country-related risks. Then there are international-level barriers such as constraints on project eligibility, available guidance and decisions. A combination of factors is thus needed to drive growth in a country's CDM activity. This includes the presence of attractive CDM opportunities, a positive investment climate, and an enabling policy and legislative framework.

Executive Board are being implemented in Africa. And most of these projects are in South and North Africa.[32]

The CDM mechanism favours large projects. The development potential of transactions under the CDM is constrained by a number of factors. Host-country governments face the dilemma of setting demanding sustainable development criteria and running the risk of losing investments to other developing countries with less demanding standards, or setting less stringent standards and thus generating little benefit at the local level. This is compounded by the fact that concluding deals under the CDM in low-income countries can be more expensive, time-consuming and risky than buying carbon credits elsewhere. Thus most CDM credits tend to be large end-of-pipe industrial projects or ones reducing emissions of landfill gas to be concentrated in a few large developing countries. Many of the countries most vulnerable to the impacts of climate change such as the least-developed countries have received very few CDM projects so far. Small-scale projects which have more potential for local livelihood benefits are less likely to be targeted because of their high transaction costs. Bundling small projects into a programme of activities should help to reduce transactions costs and promote CDM projects in low-income countries (see Box 3 for more detail).

Box 3. Carbon Finance and the Clean Development Mechanism (CDM)

Carbon transactions can be grouped into two main categories: i) *allowance-based transactions*, where the buyer of emission credits purchases allowances created and allocated under cap-and-trade regimes, such as the European Union Allowances under the European Union Emissions Trading Scheme (EU ETS); and i) *project-based transactions* in which the buyer purchases emission credits from CDM and JI projects. The EU ETS is the largest emission trading scheme in operation (see Box 2). Other participants in the global carbon market include: i) the Japanese business federation through the Keidanren voluntary action plan set up in 1997 which currently covers 82% of industrial emissions in Japan, embracing 34 industries; ii) the Chicago Climate Exchange (CCX), a voluntary scheme based in Chicago, USA; iii) the Regional Greenhouse Gas Initiative (RGGI), a coordinated effort between seven U.S. Northeastern and mid-Atlantic states to implement a cap and trade program to limit GHG emissions; iv) the new Californian cap and trade scheme; and vi) power retailers and large consumers regulated by New South Wales (NSW/Australia) emissions regulations. Additional schemes are at various stages of being developed.

The Clean Development Mechanism (CDM) is a mechanism whereby an Annex I party may purchase Certified Emission Reductions (CERs) which arise from projects located in non-Annex I countries. In order for a project to generate CERs, it must undergo a rigorous process of documentation and approval by a variety of local and international stakeholders. In addition to more conventional steps involved in the implementation of regular projects such as a feasibility assessment and development of a Project Design Document (PDD), CDM projects require: i) host country approval, ii) project validation, iii) registration, iv) emission reduction, v) verification and vi) credit issuance. Each of these steps involves detailed specifications and ancillary fees leading to the criticism of high transaction costs, particularly for countries with little experience in the process. For instance, the proposed project must provide real, measurable, and long-term benefits related to the mitigation of climate change using an approved baseline and monitoring methodology to be validated and then registered by the CDM Executive Board. One of the more complex components of validation is the fact that the proposed project must deliver reductions in emissions that are additional to any that would occur in the absence of the project activity. Verification of emission reductions must be performed by an external auditor. The UNFCCC has taken actions to simplify procedures and fees for small-scale projects and allowing regrouping of small-scale project under programmatic CDM projects to reduce transaction costs.

African countries should be helped to better tap their CDM potential. This will involve action on many fronts, including improving their domestic investment framework. This must be accompanied by efforts to raise awareness about the potential benefits of CDM in helping African countries develop new sectors such as renewable energy and support by external partners for capacity development to elaborate and certify CDM projects. In addition to removing domestic barriers to CDM project development, international barriers must be identified and reduced. Other considerations for the post-2012 framework such as other land use and bio-energy activities should also be reviewed.

Additional resources for adaptation are needed. ODA could play an important role to enhance the capacity of Africa to adapt to climate change but the resources must be additional. The management of the Adaptation Fund, as well as its policies, programme priorities and eligibility criteria will need to be settled as early as possible. The automatic nature of the replenishment of the Adaptation Fund makes it a very attractive source of funding climate risk adaptive activities.

Administrative issues regarding their management need to be settled. Two other funds for adaptation under the UNFCCC (namely the Least Developed Countries Fund and the Special Climate Change Fund) became operational under the Marrakech Accords and are managed by the Global Environment Facility (GEF). At the Conference of the Parties (COP) of the UNFCCC and Meeting of the Parties to the Kyoto Protocol in December 2005 and May 2006, making the Adaptation Fund operational was discussed but there was no agreement. One of the main sticking points is the role given to the GEF in managing the UNFCCC Funds.

Recommendations on carbon finance

For development partners

- To review the CDM mechanisms and GEF procedures to make them more easily accessible to Africa.
- Encourage the development of additional simplified methodologies for sectors with high potential in Africa.
- To scale up financial support and in collaboration with private sector financing (through the CDM and Adaptation Fund) for the development and sharing of low carbon technology and energy efficiency with Africa.

For Africa

- To evaluate the various carbon finance options (access rules and procedures) in preparation for a more pro-active positioning at international climate negotiations.
- To provide stable and predictable funding to formulate policies and build national capacities.
- To continue efforts to improve the enabling environment and encourage private sector investment in carbon finance activities.

Acronyms

AfDB	African Development Bank
CDM	Clean Development Mechanism
CGOS	Global Climate Observing System
COP	Conference of the Parties (in the context of UNFCCC)
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GEF	Global Environment Facility
GHG	Greenhouse Gases
HFC	Hydro chlorofluorocarbon
IPCC	Intergovernmental Panel on Climate Change
MDGs	Millennium Development Goals
NAPA	National Adaptation Action Plan
ODA	Official Development Assistance
RECs	Regional Economic Communities
UNECA	United Nations Economic Commission for Africa
UNFCCC	United Nations Framework Convention on Climate Change
VARG	Vulnerability and Adaptation Resource Group

Glossary of Technical Terms

Adaptive capacity: The ability of a system to adjust to potential damages brought about by climate change (including climate variability extremes), to take advantage of opportunities, and to cope with the consequences.

Afforestation: Planting of new forests on lands that have not been recently forested.

Anthropogenic Emissions: Emissions of greenhouse gasses resulting from human activities.

Annex I Parties: The 40 countries plus the European Economic Community listed in Annex I of the UNFCCC that agreed to try to limit their GHG emissions: Australia, Austria, Belarus, Belgium, Bulgaria, Canada, Croatia, Czech Republic, Denmark, European Economic Community, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Monaco, The Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Russian Federation, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, United States.

Bubble: An option in the Kyoto Protocol that allows a group of countries to meet their targets jointly by aggregating their total emissions. The member states of the European Union are utilizing this option.

Carbon Dioxide (CO_2): CO_2 is a colourless, odourless, non-poisonous gas that is a normal part of the ambient air. Of the six greenhouse gases normally targeted, CO_2 contributes the most to human-induced global warming. Human activities such as fossil fuel combustion and deforestation have increased atmospheric concentrations of CO_2 by approximately 30 percent since the industrial revolution. CO_2 is the standard used to determine the "global warming potentials" (GWPs) of other gases. CO_2 has been assigned a 100-year GWP of 1 (i.e., the warming effects over a 100-year time frame relative to other greenhouse gases).

Carbon Sinks: Processes that remove more carbon dioxide from the atmosphere than they release. Both the terrestrial biosphere and oceans can act as carbon sinks.

Carbon Taxes: A surcharge on the carbon content of oil, coal, and gas that discourages the use of fossil fuels and aims to reduce carbon dioxide emissions.

Certified Emissions Reduction (CER): Reductions of greenhouse gases achieved by a Clean Development Mechanism project. A CER can be sold or counted toward Annex I countries' emissions commitments. Reductions must be additional to any that would otherwise occur.

Chlorofluorocarbons (CFCs): CFCs are synthetic industrial gases composed of chlorine, fluorine, and carbon. They have been used as refrigerants, aerosol propellants, cleaning solvents and in the manufacture of plastic foam. There are no natural sources of CFCs. CFCs have an atmospheric lifetime of decades to centuries, and they have 100-year "global warming potentials" thousand of times that of CO_2, depending on the gas. In addition to being greenhouse gases, CFCs also contribute to ozone depletion in the stratosphere and are controlled under the Montreal Protocol.

Clean Development Mechanism (CDM): One of the three market mechanisms established by the Kyoto Protocol. The CDM is designed to promote sustainable development in developing countries and assist Annex I Parties in meeting their greenhouse gas emissions reduction commitments. It enables industrialized countries to invest in emission reduction projects in developing countries and to receive credits for reductions achieved.

Climate change: Refers to any change in climate over time that alters the composition of the global atmosphere and that is in addition to natural climate variability observed over comparable time periods. Usage of the term varies between the IPCC that refers to any change in climate, whether due to natural variability or as a result of human activity and the UN Framework Convention on Climate Change that only refers only to natural variability causes.

Conference of the Parties (COP): The supreme decision-making body comprised of the parties that have ratified the UN Framework Convention on Climate Change. It meets on an annual basis. As of February 2003, it is comprised of 188 countries.

Emissions Cap: A mandated restraint in a scheduled timeframe that puts a "ceiling" on the total amount of anthropogenic greenhouse gas emissions that can be released into the atmosphere. This can be measured as gross emissions or as net emissions (emissions minus gases that are sequestered).

Emissions Trading: A market mechanism that allows emitters (countries, companies or facilities) to buy emissions from or sell emissions to other emitters. Emissions trading is expected to bring down the costs of meeting emission targets by allowing those who can achieve reductions less expensively to sell excess reductions (e.g. reductions in excess of those required under some regulation) to those for whom achieving reductions is more costly.

General Circulation Model (GCM): A computer model of the basic dynamics and physics of the components of the global climate system (including the atmosphere and oceans) and their interactions which can be used to simulate climate variability and change.

Greenhouse Effect: The insulating effect of atmospheric greenhouse gases (e.g., water vapour, carbon dioxide, methane, etc.) that keeps the Earth's temperature about 60°F warmer than it would be otherwise.

Greenhouse Gas (GHG): Any gas that contributes to the "greenhouse effect."

Hydro fluorocarbons (HFCs): HFCs are synthetic industrial gases, primarily used in refrigeration and semi-conductor manufacturing as commercial substitutes for chlorofluorocarbons (CFCs). There are no natural sources of HFCs. The atmospheric lifetime of HFCs is decades to centuries, and they have 100-year "global warming potentials" thousand of times that of CO_2, depending on the gas. HFCs are among the six greenhouse gases to be curbed under the Kyoto Protocol.

Intergovernmental Panel on Climate Change (IPCC): The IPCC was established in 1988 by the World Meteorological Organization and the UN Environment Programme. The IPCC is responsible for providing the scientific and technical foundation for the United Nations Framework Convention on Climate Change (UNFCCC); primarily through the publication of periodic assessment reports (see "Second Assessment Report" and "Third Assessment Report").

Joint Implementation (JI): One of the three market mechanisms established by the Kyoto Protocol. Joint Implementation occurs when an industrialised country invests in an emissions reduction or sink enhancement project in another industrialised country to earn emission reduction units (ERUs).

Kyoto Mechanisms: The Kyoto Protocol creates three market-based mechanisms that have the potential to help countries reduce the cost of meeting their emissions reduction targets. These mechanisms are Joint Implementation (Article 6), the Clean Development Mechanisms (Article 12), and Emissions Trading (Article 17).

Kyoto Protocol: An international agreement adopted in December 1997 in Kyoto, Japan. In the Kyoto Protocol, a target is the percent reduction from the 1990 emissions baseline that the country has agreed to. On average, developed countries agreed to reduce emissions by 5.2% below 1990 emissions during the period 2008-2012, the first commitment period.

Land Use, Land-Use Change and Forestry (LULUCF): Land uses and land-use changes can act either as sinks or as emission sources. It is estimated that approximately one-fifth of global emissions result from LULUCF activities. The Kyoto Protocol allows Parties to receive emissions credit for certain LULUCF activities that reduce net emissions.

"Polluter Pays" Principle (PPP): The principle that countries should in some way compensate others for the effects of pollution that they (or their citizens) generate or have generated.

ppm or ppb: Abbreviations for "parts per million" and "parts per billion," respectively - the units in which concentrations of greenhouse gases are commonly presented.

Reforestation: Replanting of forests on lands that have recently been harvested.

Renewable Energy: Energy obtained from sources such as geothermal, wind, photovoltaic, solar, and biomass.

Sequestration: Opportunities to remove atmospheric CO_2, either through biological processes (e.g. plants and trees), or geological processes through storage of CO_2 in underground reservoirs.

Sinks: Any process, activity or mechanism that results in the net removal of greenhouse gases, aerosols, or precursors of greenhouse gases from the atmosphere.

United Nations Framework Convention on Climate Change (UNFCCC): A treaty signed at the 1992 Earth Summit in Rio de Janeiro that calls for the "stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system." The treaty includes a non-binding call for developed countries to return their emissions to 1990 levels by the year 2000. The treaty took effect in March 1994 upon ratification by more than 50 countries. The United States was the first industrialized nation to ratify the Convention.

Vector-borne disease: Disease that results from an infection transmitted to humans and other animals by blood-feeding anthropoids, such as mosquitoes, ticks, and fleas. Examples of vector-borne diseases include Dengue fever, viral encephalitis, Lyme disease, and malaria.

Vulnerability: The degree to which a system is susceptible to, or unable to cope with, adverse effects of climate change, including climate variability and extremes. Vulnerability is a function of the character, magnitude, and rate of climate change and variation to which a system is exposed, its sensitivity, and its adaptive capacity.

References

Africa Partnership Forum (2006), *The Imperative of Overcoming Energy Poverty in Africa,* paper prepared for 7th Meeting of the Africa Partnership Forum Moscow, Russia, 26-27 October 2006.

Africa Union (2007a), Decision on Climate Change and Development in Africa, Addis Ababa, Ethiopia.

Africa Union (2007b), Declaration on Climate Change and Development in Africa, Addis Ababa, Ethiopia.

African Development Bank (2007), *Clean Energy and Development Investment Framework Process*, Tunis, Tunisia.

Agrawala, Shardul. (2004), *Mainstreaming Adaptation in Development Planning and Assistance*, presented at the OECD Global Forum on Sustainable Development: Development and Climate Change, Paris.

Burton, I. and M. van Aalst (2004)*, Look before You Leap: A Risk Management Approach for Incorporating Climate Change Adaptation into World Bank Operations*, World Bank, Washington.

Capoor, Karan and Philippe Ambrosi (2008), *State and Trends of the Carbon Market 2008 - A Focus on Africa*, World Bank, Washington DC.

Chomitz, Kenneth (2007), *At Loggerheads? Agricultural Expansion, Poverty Reduction and Environment in the Tropical Forests*, The World Bank, Washington D.C.

Dasgupta, Susmita, B. Laplante, C. Meisner, D. Wheeler and Jianping Yan (2007), *The Impact of Sea Level Rise on Developing Countries: A comparative Analysis,* The World Bank, Washington D.C.

Ellis, Jane and Sami Kamel (2007), Overcoming Barriers to Clean Development Mechanisms, OECD, Paris.

Food and Agriculture Organization of the United Nations (2007), *State of the World's Forests 2007*, Rome.

G8 Gleneagles (2005), Plan of Action Climate Change, Clean Energy And Sustainable Development.

Global Climate Observing System, UN Economic Commission for Africa and Africa Union Commission (2006), *Climate Information for Development Needs: An Action Plan for Africa, Report and Implementation Strategy* Addis Ababa, Ethiopia.

Greene, W (ed.) (2005). *Carbon Finance for Africa - An Investor's Guide*. Africapractice, London.

Grieg-Gran, Maryanne (2006), *“Is Tackling Deforestation a Cost-effective Mitigation Approach?”* International Institute for Environment and Development (IIED).

Hay, S.I. *et al.* (2002), *“Climate Change and the Resurgence of Malaria in the East African Highlands”*, Nature, Vol. 415, No. 6874, pp. 905-9.

Hellmuth, M.E, A. Moorhead, M.C. Thompson and J. Williams eds. (2007), *Climate Risk Management in Africa: Learning from Practice.* International Research Institute for Climate and Society (IRI), Columbia University. New York.

Intergovernmental Panel on Climate Change, IPCC (2001), *Climate Change 2001: The Scientific Basis*, Cambridge University Press, Cambridge.

IPPC (2007a), *Climate Change 2007: The Physical Science Basis Summary for Policymakers*. Contribution of Working Group I to the Fourth Assessment Report of the IPCC.

IPCC (2007b), *Climate Change 2007: Climate Change Impacts, Adaptation and Vulnerability - Summary for Policymakers*. Contribution of Working Group II to the Fourth Assessment Report of the IPCC.

International Energy Agency (2006), *World Energy Outlook 2006,* Paris.

International Livestock Research Institute, Kenya (2006), in collaboration with The Energy & Resources Institute, India and The African Centre for Technology Studies, Kenya, *Mapping Climate Vulnerability and Poverty in Africa*.

Karousakis, Katia (2007), *Incentives to Reduce GHG Emissions from Deforestation: Lessons Learned from Costa Rica and Mexico*, OECD, Paris.

Levina, Ellina (2007), *Lessons Learned from National Approaches to Adaptation based on Analysis of the Water Sector and Coastal Zones*, OECD, Paris.

Noble, Ian and Robert Watson (2006), “Confronting Climate Change” in Vinay Bhargava, *Global issues for Global Citizens – An Introduction to Key Development Challenges*, The World Bank, Washington, D.C.

OECD (2005), *Bridge Over Troubled Waters – Linking Climate Change and Development*, Paris.

OECD (2006), *Declaration on Integrating Climate Change Adaptation into Development Co-operation, Adopted by OECD Development and Environment Ministers*.

Philipp, Heinrigs and Perret Christophe (2006), *The Ecologically Vulnerable Zone of Sahelian Countries*, Sahel and West Africa Club, OECD, Paris.

Sperling, Frank ed. (2003), *Poverty and Climate Change: Reducing the Vulnerability of the Poor through Adaptation*, report by the African Development Bank, Asian Development Bank, UK Department for International Development (UK), Federal Ministry for Economic Co-operation and Development (Germany), Ministry of Foreign Affairs – Development Co-operation (Netherlands), OECD, United Nations Development Programme, United Nations Environment Programme and World Bank.

Sperling, F. and F. Szkeley (2005), *Disaster Risk Management in Climate Change*, VARG Discussion Paper.

Sokona, Youba, Stephen Humphreys, and Jean-Philippe Thomas (no date), *The Clean Development Mechanism: What Prospects for Africa?* Energy Programme, ENDA Tiers Monde, Dakar, Senegal.

Stern, Nicholas (2006), *The Economics of Climate Change: The Stern Review*, Cambridge University Press.

UNDP (2007a). *The Clean Development Mechanism: An Assessment of Progress*. New York.

UNDP (2007b). *Human Development Report 2007/08 – Fighting Climate Change: Human Solidarity in a Divided World*. New York.

United Nations Environment Programme, UNEP Risoe Centre (2007), Overview of UNEP's CDM Activities. Available from http://cd4cdm.org/publications/OverviewUNEPsCDMActivities.pdf.

UNEP Risoe Centre (2008) CDM/JI Pipeline Analysis and Database. Available from www.cdmpipeline.org.

United Nations Framework Convention on Climate Change (2006), *Background paper on Impacts, Vulnerability and Adaptation to Climate Change in Africa for the African Regional Workshop on Adaptation, Accra, Ghana.*

UNFCCC (2007), *Report on the Regional Workshop on Adaptation in Accra, Ghana.*

United Nations Economic Commission for Africa (2005), *Assessing Sustainable Development in Africa,* Africa's Sustainable Development Bulletin, Addis Ababa, Ethiopia.

Working Group on Climate Change and Development (2005), *Africa – Up in Smoke? The Second Report from the Working Group on Climate Change and Development*.

World Bank (2007), *Clean Energy and Development Investment Framework: A Progress Report,* Washington D.C.

World Commission on Dams (2000), *Dams and Global Climate Change,* WCD Thematic Review, Environmental Issues II.2, Cape Town, South Africa.

Investment: Unlocking Africa's Potential

This paper was prepared jointly by the NEPAD Secretariat and the APF Support Unit for the 8th meeting of the Africa Partnership Forum held on 22-23 May 2007.

It was written by Karim Khalil and Karim Dahou under the leadership of Olukorede Willoughby and David Batt and with editing support from Raundi Halvorson-Quevedo.

A. Investment: Key Political Messages and Action Points

It is now time to invest in Africa. The prospects are good. Africa is already attracting growing flows of private resources, as a result of its greater political stability and economic reforms. Significant new investors are now engaging in Africa, from within and outside the continent. Development assistance and debt relief alone will not be sufficient to achieve the Millennium Development Goals. Africa now needs more and sustainable investment, both domestic and foreign, in order to accelerate economic growth and progress in poverty reduction, and become better integrated into the global economy. **We call for** the fulfilment of commitments made at African and G8 Summits and other global fora, including support from development partners to help Africa mobilise more investment, and better focus on mobilisible domestic revenue sources and indigenous resources. Areas such as infrastructure, extractive industry, tourism, agribusiness and ICT are particularly important drivers of development, and require support from development partners.

1. **Efficient finance sectors** are needed, in order to broaden access to financial services for the poor, and respond to the needs of small and medium enterprises, in order both to help boost economic growth and to spread its benefits to all. **We call for** a new initiative, such as a special financial facility, to increase **micro-financing opportunities**, both for the poor and in particular women ('finance for all'), and for growing small and medium enterprises ('finance for growth').

2. **Domestic investment** is essential for sustainable economic growth. We welcome the progress which has already been made in improving the domestic investment climate. **We call for** continued and intensified efforts to **simplify and improve economic regulations**, and greater political support for investment-related activities in national plans of action in countries reviewed under the APRM process.

3. A **variety of risks** continues to hold back increases in investment. **We call on** multi-lateral and bi-lateral donors to review and adapt their **guarantee schemes**, and develop new instruments to cover, for example, local currency risks and loans to the agricultural sector. We call on international insurance companies to offer **basic insurance** products for the rural poor, for instance insurance of agricultural production risks resulting from climate change, and for greater attention on risk mitigation for private sector involvement in contract farming.

4. **We have developed new forms of cooperation** for improving the investment climate in Africa, such as the Investment Climate Facility (ICF), and the Infrastructure Consortium for Africa (ICA), which focuses on investment in infrastructure. **We call for** the **accelerated implementation** of these new mechanisms, including the strengthening of the ICA as a framework for scaling up investment in infrastructure, and for more financial support to the ICF to enable it to meet its targets. We also call for broader support for the African Development Bank's Project Preparation Facility.

5. **Regional integration** is also important for attracting investment. Regional Economic Communities need the capacity for instance to prepare and facilitate regional infrastructure projects, and to create the right policy environment. **We call for** a new joint initiative, from both regional institutions and development partners, to help build this **capacity**, and for

support for efforts by regions to harmonise **business regulations** and create common platforms for regional **investment promotion**.

6. **Continued improvements in economic governance and corporate responsibility** will help both to generate sustainable investment and to bring about wider social and economic benefits. **We call for** additional partners to join existing **transparency** initiatives, including the Extractive Industries Transparency Initiative, for the full ratification and implementation of the **UN and AU Conventions against Corruption**, and for strengthened action both to implement the OECD **Anti-Bribery Convention** and to detect, recover and return **illegally acquired assets** held outside Africa.

B. Investment: Unlocking Africa's Potential

Introduction

Mobilising private investment is the key to unlocking the vast potential for accelerated economic growth and development in Africa. There is a positive story to tell. A significant improvement in the policy and institutional environment in many countries has led to the revival of private flows of resources, and this has in turn helped to generate sustained and increased growth over the last 10 years. The flow of capital to the continent is increasing rapidly, particularly from export income, remittances from the diaspora, and from inward foreign direct investment (FDI). FDI inflows alone reached US$ 31 billion in 2005, which represents a 78% increase over 2004. Average growth rates in Africa now outstrip average global growth rates, with a rate of over 5% in the past 3 years. 17 African countries have recorded annual growth of more than 5% over the past decade.

Further increasing the levels of both domestic and foreign investment will be critical to achieving the accelerated increases in growth which Africa needs – to generate employment and jobs in both the urban and rural sectors, to accelerate progress towards the Millennium Development Goals (MDGs), and to build the inclusive societies on which political stability depends. There are enormous opportunities. Investment resources are available, domestic banking institutions are highly liquid, there is untapped domestic savings potential as well as significant holdings of wealth overseas. In addition, major new investors from emerging economies are now engaging in Africa. The issues which need to be addressed to unlock these opportunities are common to both domestic and foreign investment. Indeed, one of the central challenges is how to increase domestic investment by keeping more wealth and savings in Africa, as well as increasing the level of foreign investment.

African leaders have developed a clear vision emphasising the importance of sustained economic growth through private sector development, which is shared by their development partners in the international community. More needs to be done to continue to translate this vision into reality. **The purpose of this paper, therefore, is to focus on how Africa and the international community can address the critical bottlenecks to investment, and thereby help unlock Africa's enormous economic potential in support of development**. It recognises that the picture, of course, varies significantly across the continent. However, two important themes run through the paper: firstly, the importance of taking action in Africa, not just at the national but also at the regional level; and secondly, the need for active support from the international community for Africa's efforts to improve its investment climate.

Section I of the paper summarises the key commitments of African governments and their development partners. **Section II** reviews progress with reform, growth and diversification of sources of finance. **Section III** assesses existing bottlenecks to increased investment. **Section IV** looks at the actions needed to overcome these and to "Unlock Africa's Investment Potential". These actions are divided into **3 main areas**: improving the regulatory environment and economic governance; developing financial markets; and developing infrastructure – including regional and rural infrastructure. **The main points in each of these areas are summarised in the rest of this introduction, and the key action points are indicated in a matrix of recommendations.**

The regulatory environment and economic governance. Real progress has been made in reducing the complexity and cost of regulation, improving transparency and tackling corruption. Africa is the third fastest-reforming region in terms of simplifying its economic regulations. It is important that this progress should be recognised more widely. However, there is more to be done in order to make Africa a better place to do business and to improve perceptions and confidence among domestic and foreign investors. The lead on this needs to be taken by ***African governments***, building on best practices, in order to simplify and improve economic regulations in labour and product markets and in taxation and customs administrations – along the lines set in last year's economic report from the UN Economic Commission for Africa and this year's "Doing Business Report" from the International Finance Corporation. Governments also need to strengthen the rule of law and the enforcement of contracts in order to reduce uncertainty, to improve and enforce anti-corruption laws and regulations, including the Extractive Industries Transparency Initiative (EITI), and to look for ways to demonstrate that they will lock in good policies and sound implementation in order to build investor confidence. The APRM – an African owned peer review process – has a key part to play in this area. There are also steps which ***the international community*** needs to take to help reinforce efforts in Africa to combat corruption, for instance by: completing ratification of the UN Convention against Corruption and translating its provisions into national laws, policies and practices; reinforcing monitoring of the implementation of the OECD Anti-Bribery Convention, and ensuring the vigorous implementation of its commitments to tackle the problem of money laundering through action to detect, recover and return illegally acquired assets. In addition, development partners can develop capacity building programmes and tools for improving the business climate such as the Investment Climate Facility (ICF) and the Policy Framework for Investment (PFI).

Developing financial markets. Progress here will allow African economies to achieve greater depth, and to increase their capacity to absorb economic shocks. This is important in a context of growing capital imports, as strains placed upon currencies and exchange rates could compromise the crucial benefits of a stable macro-economic environment. It would also be an important means of reinforcing the financial capacities of the local economy and diversifying investment options for domestic and foreign investors. Again, the lead can only be taken by ***African governments*** themselves, at a number of levels. These include the regional integration of capital markets in order to expand portfolio opportunities and thereby reinforce both domestic and international investment, as well as increasing the positive impact on development; and strengthening access to credit by stimulating competition in the banking sector. ***Development partners*** have an important part to play in supporting such African-led efforts – for instance by helping countries integrate into global financial markets in a secure and sustainable way with appropriate safeguards, by developing new guarantee schemes and insurance products to cover certain portfolio investments as well as loans to small and medium-sized enterprises ("finance for growth"), and by launching a new initiative to increase micro-financing opportunities for women, the poor and the agricultural sector ("finance for all").

Developing infrastructure – including regional and rural infrastructure. One of the main reasons why Africa still lags behind other regions in the cost of doing business is the lack and poor quality of transport and energy infrastructure – which places a heavy burden both on business costs and on household incomes. Africa is moving in the right direction, and development partners are increasing their financial support after stagnation over the last decade. But more needs to be done at a number of different levels – including through a strong push for investment in regional transport and energy infrastructure, plus an emphasis on investment in rural infrastructure – which is key to helping unlock the potential of the agriculture sector, on which a large proportion of Africa's population depends. ***African governments*** should accelerate progress towards regional economic integration in order to increase the size of markets, and the viability of infrastructure investment projects. Advanced planning for infrastructure projects also needs to be improved. Continued efforts are needed to make more efficient and effective use of existing infrastructure. ***Development partners*** need to sustain the recent trend of increasing investment in infrastructure, work with African countries to mobilise additional resources and support a strengthened focus on regional infrastructure through a capacity building initiative for Regional Economic Communities (RECs).

Table 1. Matrix of Key Policy Areas and Action Points on Investment

KEY POLICY AREAS	KEY ACTION POINTS	
	African governments	**International community (and the private sector)**
Regulatory environment and economic governance	Simplify/improve labour laws, tax regulations and customs regimes, including through the APRM Strengthen rule of law and judicial systems: improve and enforce anti-corruption laws and regulations, including EITI	More benchmarking of regulatory environments such as "Doing Business Reports" to reinforce perceptions of progress Strengthen action to tackle bribery, corruption and money laundering – through UN Convention against Corruption, OECD Anti-Bribery Convention, and recovery/restitution of illegally acquired assets
Developing financial markets	Develop domestic and regional financial markets Address the needs of the informal sector and SMEs through improving competition policy in the banking sector	Develop guarantee schemes and insurance products to cover, for example, certain portfolio investments and loans to SMEs and the agricultural sector ("finance for growth") Launch a new initiative to increase micro-financing opportunities for the poor and in particular women ("finance for all")
Developing regional and rural infrastructure	Accelerate regional integration to increase market size Give greater emphasis to rural infrastructure in national and regional strategies and budgets – to help meet needs of agriculture sector	Launch a capacity building initiative for RECs to prepare and facilitate regional infrastructure projects Tackle risk aversion through guarantee schemes for private investment in infrastructure

I. Context

Growth in Africa has exceeded 5% for three years in a row. This trend represents a turning point after several decades of economic stagnation. It is based upon the raw materials boom, but also upon the political and economic stabilisation of the continent. Many countries have implemented democratic transition processes[1] and the African Peer Review Mechanism (APRM) ensures that participating states abide by common values in relation to socioeconomic development and political, economic and business governance. Alongside this, economic reforms and stabilisation have improved the business climate.

Yet Africa will need to achieve a 7% growth rate to achieve the Millennium Development Goal (MDG) of halving the proportion of people living on less than US$ 1 per day[2] and the growth rate depends largely upon the level of investment.[3] Yet in 2005 investment in Africa, as measured by the ratio of gross fixed capital formation to GDP, was still stuck at 19%,[4] whereas an investment rate of between 22% and 25% of GDP would be necessary to achieve growth of about 6%[5] – and just nine African countries achieved such a result in 2005.[6] Official Development Assistance (ODA), including debt reduction, will not suffice to bridge this gap. It is therefore essential that domestic and foreign private investment continues to increase so that African growth accelerates.

While investment in Africa may therefore rely upon the commitments of African governments and their development partners (section II) as well as progress with reform and growing capital flows (section III), it continues to come up against major problems of economic governance, infrastructure and credit (section IV), which require targeted initiatives (section V).

II. Investment at the heart of numerous international commitments

African countries and the international community now put investment at the forefront of their development priorities. Many action plans and declarations adopted at international summits place particular emphasis on the need to mobilise private investment and resources to bolster development.

- The Cairo Plan of Action, decided at the Africa-Europe Summit held under the aegis of the Organization of African Unity (OAU) and the European Union (EU) on 3rd and 4th April 2000, has already established numerous investment priorities. In particular, it provides for the creation of an environment conducive to the development of the private sector; the improvement of the regulatory framework with business communities; the launch of programmes to promote FDI; support for South-South cooperation on mergers and acquisitions and the reinforcement of African financial instruments and markets; and cooperation to tackle the problem of capital flight, including offshore banking centres.[7]

- The NEPAD declaration approved at the African Union summit in Lusaka in July 2001 identifies the inadequate accumulation rate as the main problem underlying African under-development. On the other hand, it establishes a link between the level of investment and wealth creation on other continents. Lastly, it stresses the need to mobilise private domestic and foreign investment in support of development.[8]

- At Monterrey in March 2002, the United Nations agreed to redouble their efforts to help unblock and make more efficient use of all those resources necessary to development, notably domestic and foreign private investment[9] – particularly through the improvement of the business climate.

- At Kananaskis, the G8 countries approved the Africa Action Plan, one of whose priorities is to support sustainable growth by helping Africa to increase domestic and foreign investment, to build capacity in infrastructure project development and to encourage regional economic integration.[10]

- At Gleneagles in July 2005, the G8 leaders also agreed to stimulate growth, to improve the investment climate and to make trade work for Africa, particularly by endeavouring to reinforce Africa's commercial capacities and to mobilise the investment in infrastructure required by business.[11]

III. Progress with reform, growth and diversification of sources of finance

Following the reforms launched in the 1980s, Africa initially succeeded in stabilising its political and macroeconomic environment. From the second half of the 1990s onward, current account deficits were generally contained, if not reduced, and macroeconomic indicators moved in the right direction: inflation has been below 5% since the beginning of the new millennium;[12] growth has exceeded 5% for three years in a row and 17 countries have even achieved an average growth rate of 5% throughout the past decade; and the debt burden has been falling since 1995,[13] thereby reducing budgetary pressures. Democratic reforms have also made progress across the continent[14] and conflicts have diminished sharply since 2002.[15]

Given the role of political change in reforms of economic regulations,[16] it is scarcely surprising, in addition, that major changes in the business environment have come hand in hand with democratic transition. Sub-Saharan Africa (SSA) is actually the region of the world that has reformed its economic regulations the most, apart from Eastern Europe and the OECD countries, thereby moving up from last place to third.[17] Two African countries (Ghana and Tanzania) are among the ten leading reformers at the global level.[18] In February 2006, Nigeria also became the 110th sovereign state to be rated by Standard and Poor's and the 14th in Africa. 2005 was a good year for those states that are rated: progress was noted in economic policy and in structural reforms, leading to improvements in the ratings awarded to Egypt, South Africa and Morocco.[19]

Combined with the increase in raw materials prices, which has benefited the extractive industries, these changes seem to have had an impact upon both foreign and domestic investment. While the ratio of gross fixed capital formation to GDP increased from 17% in 1990 to 19% in 2003-05,[20] foreign direct investment (FDI) reached a peak of US$ 31 billion in 2005, equivalent to a 78% increase compared to 2004.

Alongside the joint effects of reform, the raw materials boom and renewed interest from international partners, inbound capital flows to Africa are increasing and diversifying rapidly. In fact, the financing of African development can now rely upon:

- Much higher revenues from fossil and mineral raw materials, benefiting from the strong demand from emerging countries, particularly China, whose trade with Africa has increased fifty fold in 25 years,[21] reaching US$ 40 billion in 2005, then US$ 55.5 billion in 2006;[22]

- Foreign direct investment (FDI) flows that have grown at an unprecedented rate (see below);

- Remittances from migrants that were officially put at US$ 19.2 billion in 200423 and that are no doubt much higher, given that the weakness of financial systems and the cost of formal transfers encourages informal remittances;24

- Resources provided by regional and international capital markets, to which both development banks and commercial banks and companies can have access,25

- Official development assistance that has started to grow again,26 despite treading water in 2006;

- Commercial loans, all the more likely to increase given that many countries are returning to solvency27 and the pool of potential lenders is expanding, although rigorous attention must be paid to debt management;

- Domestic revenues, the growth in which relies upon an improvement in the economic context.28

Box 1. The Boom in Foreign Direct Investment

FDI in Africa reached US$ 31 billion in 2005, surpassing bilateral ODA for the first time. This represents a 78% increase over 2004, an all-time record and a growth rate higher than both the global FDI figure (29%) and the figure for foreign investment in the developing countries.[29] We must also note that private capital flows to Africa, and more particularly flows of FDI, are greatly under-estimated because of the rudimentary nature of the monitoring systems in place. According to the results of projects carried out in 18 African countries, it may be that private flows are two to three times higher than official figures".[30] Furthermore, even abiding by these figures, Africa is attracting as much FDI as South-East Asia as a proportion of GDP.[31]

While FDI in Africa continues to be principally concentrated in the extractive industries, the current upsurge is affecting more countries and more sectors than ever before.[32] While food processing, textiles and services now attract a growing proportion of foreign investments, new source countries – such as China, India, Malaysia and South Korea – are making a conspicuous entrance into the investors' club. While their asset portfolios remain smaller than those of Europe or the United States, they do account for an ever larger proportion of flows.[33] In addition, contrary to received wisdom, these are certainly not limited to the hydrocarbons sector. For example, 46% of Chinese investment in Africa between 1979 and 2000 was in the manufacturing sector.[34]

Certain countries, such as Kenya, Uganda and Tanzania have recorded some of the highest rates of FDI growth among developing countries – almost US$1 billion in the past 2 years.[35] This growth must also be put down to the regional integration work carried out by these countries.

Yet the data and statistics also suggest that a growing differentiation is dividing those countries that are achieving substantial progress from those that are stagnating, or even losing ground.[36] Whereas 13 African countries saw their income per inhabitant multiply by one and a half to nine fold between 1960 and 2004, nine other countries now have a lower per capita income than in 1960. Furthermore, the countries' performance varies according to their size: the four largest SSA countries, home to 42% of the population of the sub-continent, account for just 3.4% of its income. Alongside this, countries placed in comparable geographical situations (e.g. coastal countries under-endowed with natural resources or landlocked resource-rich countries) have followed extremely diverse trajectories.[37] This all seems to confirm that the policies implemented have a major impact upon the outcomes achieved in terms of growth and investment, a fact that is also highlighted by numerous studies.[38] Thus, it seems important that the principal obstacles to investment growth are properly identified in order to ensure that they can be overcome.

IV. Difficulties affecting investment in Africa

The decision to invest principally depends upon the business climate, which itself involves many parameters including: macro-economic, institutional and political frameworks; economic regulation and its implementation; well-defined property rights, as well as functional legal, contractual and financial systems; and appropriate high-quality infrastructure. Yet, while the African countries have generally made significant progress in certain key areas, such as political and economic stabilisation, many obstacles continue to hinder the establishment of a climate conducive to investment on the continent.

The difficulties that hinder investment in Africa relate in particular to: deficient economic governance, which leads to significant capital flight (a); a lack of savings and the inadequacy of financial markets – affecting both the finance needs of firms and those of the informal economy, agriculture and women entrepreneurs (b); and to the lack or poor quality of infrastructure (c).

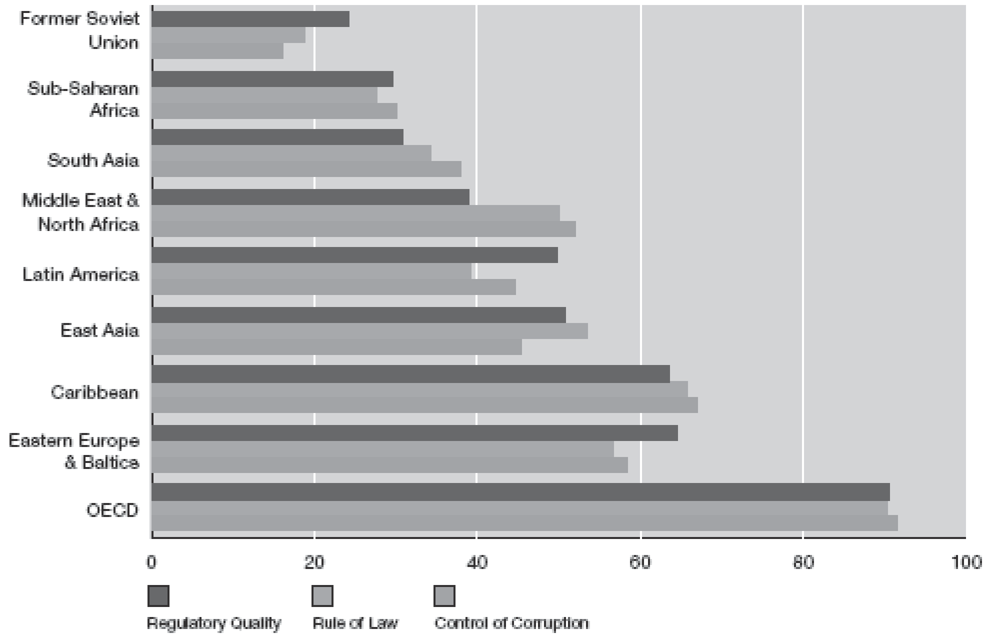
a) Deficiency of economic governance and capital flight

Despite significant progress in certain parts of the continent, many countries continue to be characterised by great weaknesses in relation to economic governance and regulation. Corruption, which generally heads the list of reasons cited by transnational companies to justify their refusal to invest in Africa,[39] is the most obvious symptom of this. Yet it is also entrenched in the weakness of institutions and in the complex and cumbersome nature of economic regulations.

Weak institutions, cumbersome and complex economic regulations

As demonstrated by Figure 1, the rule of law and regulatory quality, together with the former Soviet Union, Africa is the region of the world that is suffering the greatest deficiency of governance. There is no doubt that this constitutes a major obstacle to investment.

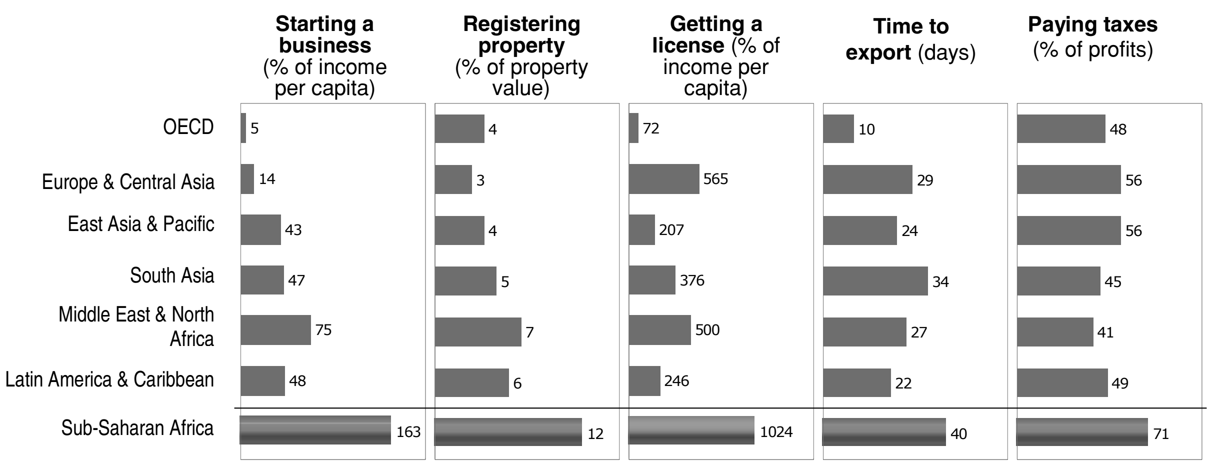
Figure 1. Corruption, Rule of Law and Regulatory Quality in Africa and other regions, 2004



Source: Kaufmann, Kraay, and Mastruzzi 2005.

Because of its economic regulations, Africa also has the world's highest cost of doing business (c.f. figure below).

Figure 2. Highest Cost of Doing Business in the World



Source: Doing Business in 2007

The complex and cumbersome nature of economic regulations in Africa is clearly likely to hold back the development of private enterprise. The time taken for customs processes is comparatively long, there are numerous inspections and a great deal of time is taken over administrative tasks. As indicated in the figure above, this extends the amount of time required to carry out economic transactions. By necessity, this encourages firms to remain in the informal sector.

With regard to the time taken over customs clearance, in particular, this is all the more likely to discourage investment when the accumulation of physical capital is more heavily dependent upon imports in Africa than on other continents. Together with the tightness of the domestic market, this is a second key factor that tends to reduce flows of FDI to Africa.

As for labour regulations, these do not constitute a major obstacle in heavily capital-intensive industries such as the extractive industries, but they do represent an important factor in the manufacturing sector. Yet not only does Africa have to increase investment in order to achieve faster growth, but it also needs labour-intensive investment and growth that creates jobs so that the majority – particularly the poor, women, and young people – can reap its benefits; and, according to World Bank estimates, Africa is the developing region where there are the greatest labour market rigidities.[40]

Capital flight

The weakness of institutions, governance and economic regulations in Africa has the particular consequence of stimulating a major flight of capital, originating both from corruption and from poor economic prospects. These phenomena, together with the scale of invisible savings, demonstrate that there remains potential for mobilising untapped domestic resources, provided that an improvement is made in the business climate – in particular with regard to institutions and to economic regulations.

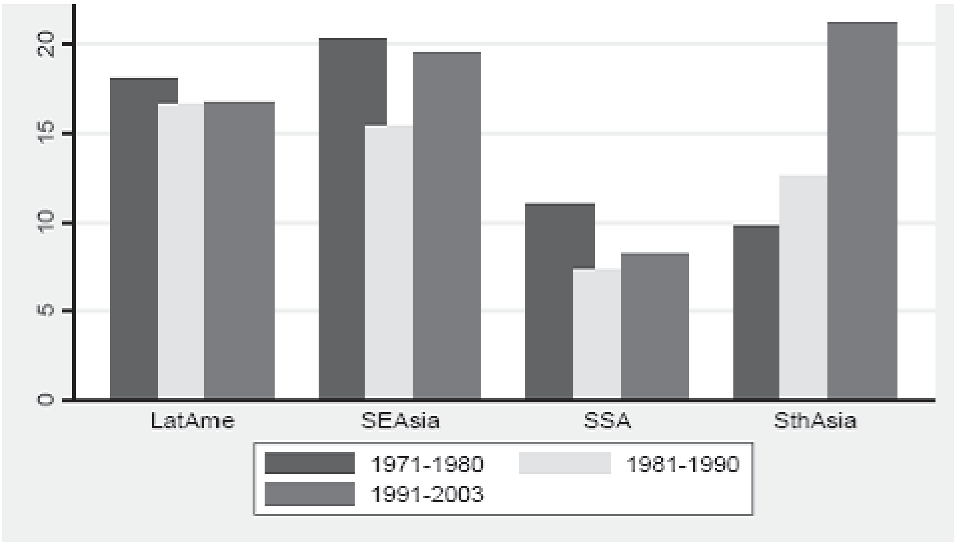
As for stolen African assets held in foreign bank accounts, the Commission for Africa created by the United Kingdom has valued these at more than half the continent's external debt.[41] Yet capital flight is not limited to assets stolen from countries rich in mineral and fossil resources. Without seeking to make a distinction between the proceeds of corruption and those of capital flight associated with a lack of business opportunities, certain authors have shown that the amount of private assets held abroad by 25 low-income countries from Sub-Saharan Africa exceeded the amount of public debt owed by those states, making them net creditors vis-à-vis the rest of the world![42] A recent World Bank study on the growth challenges of Africa also stresses that in 1990 Africans held assets worth US$ 360 billion outside the continent, equivalent to 40% of their wealth, compared to 6% for East Asia and 10% for Latin America.[43]

b) Inadequacy of savings and dysfunctioning financial markets

A very low savings rate

Investment boils down to the residual savings rate net of consumption. Savings are therefore the principal parameter to take into account when examining domestic investment. Indeed, the savings rate in Africa is generally very low. While it was higher than that of South Asia during the 1970s, it averaged no more than 9% of GDP in 2003, compared to 20% in South Asia and the African average even falls below 5% if one excludes those countries that are rich in natural resources.

Figure 3. Saving Trends: Regional Comparison by Decade



Source: World Bank, World Development Indicators 2006.

In part, this finding reflects how savings grow automatically as incomes rise – and the difficulty of saving when income constraints are too great. It also illustrates the impact of the demographic shock that Africa has experienced over the past thirty years. The rate of demographic growth in Sub-Saharan Africa is actually the fastest in the world, with the population of many countries doubling every twenty years. In this context, the choices made by the population are giving precedence to the division of goods, labour and incomes, to the detriment of capital and productivity growth.

Aside from income constraints and demographic growth, to which we must add the political and economic risks of capital being lost or suffering depreciation, dysfunctioning financial markets constitute another factor explaining the weakness of the official savings rate.[44]

The dysfunctioning of financial markets

Poorly functioning financial markets represent a major obstacle to the mobilisation of savings in order to promote investment in Africa. Following the debt crisis, the cleaning up of the banking sector had the effect of reducing the number of financial institutions. In many states, the banking sector has an oligopolistic structure that explains both the growing interest rate differential between Africa and the rest of the world and the increasing disparity between credit interest rates and the remuneration level for deposits (see Figure 4).[45] In addition, the financial products provided by the banks are generally few in number. It seems obvious now that the clean-up of the financial sector was sometimes achieved at the expense of a loss of efficiency in financial intermediation.

Figure 4. Interest rate spreads and interest rate differentials in selected African countries

	Interest rate spread			Interest rate differential with the US		
	1980-89	1990-95	1996-2003	1980-89	1990-95	1996-2003
Algeria	n.a.	3.0	3.0	-9.1	-17.1	2.7
Kenya	3.5	9.0	13.3	-3.1	-2.0	5.8
Malawi	7.6	7.6	20.4	-9.2	-9.9	9.2
Nigeria	2.4	6.6	8.2	n.a.	-37.8	0.0
Seychelles	5.8	6.3	6.5	2.9	12.3	2.3
Sierra Leone	7.0	14.9	15.7	-53.4	-21.9	4.5
South Africa	3.8	4.0	5.0	-5.1	0.8	4.3
Swaziland	5.8	6.2	7.4	-5.9	-1.9	1.1
Tanzania	9.7	15.9	15.3	n.a.	5.0	-2.5
Uganda	7.9	7.4	11.4	-94.3	1.4	4.9
Zambia	5.7	15.4	18.1	-52.8	-43.7	7.2
Zimbabwe	7.9	3.2	22.3	-8.4	-4.1	-10.3

Source: *Calculated using data from IMF 2005.*

Note: *The averages are computed from quarterly series. The interest rate differential for an African country is obtained by subtracting the US real interest rate from the African country's real interest rate.*

The inefficiency of the financial system reduces foreign investment flows – according to a survey of multinational businesses, 28% identified finance problems as one of the main obstacles to the development of FDI in Sub-Saharan Africa, in third position behind corruption (49%) and access to the international market (38%)[46] – with knock-on effects on economic growth.

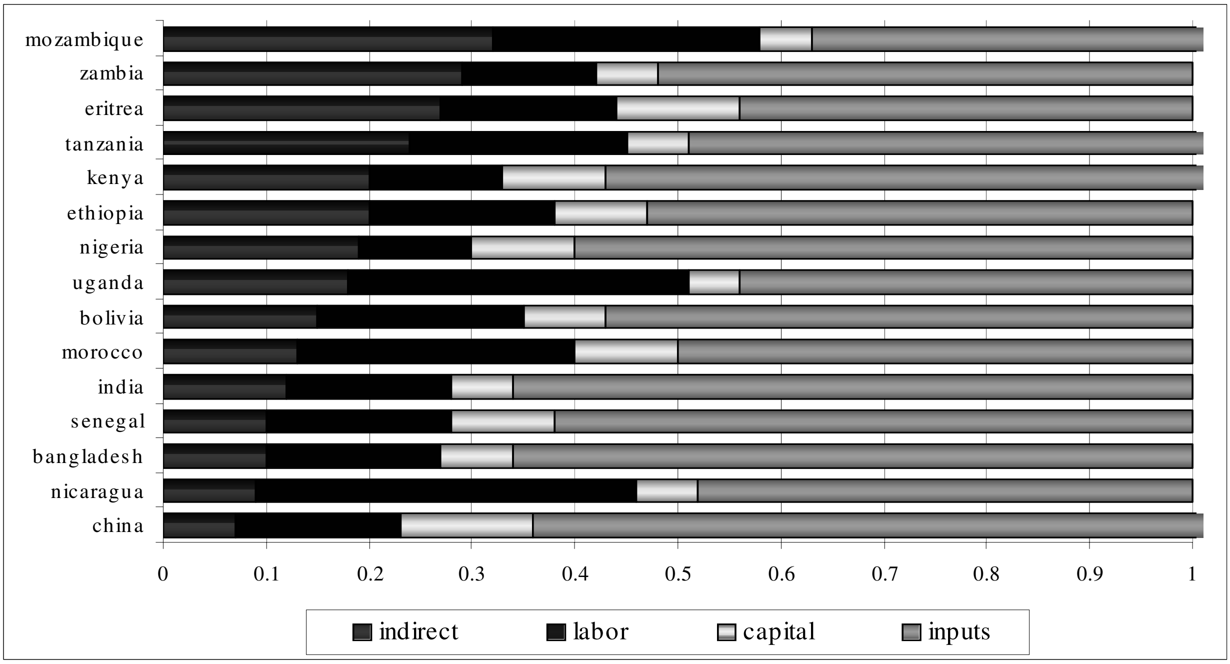
Yet difficulties in accessing credit are a particularly heavy burden for the poor, women entrepreneurs, artisans and micro, small and medium-sized enterprises that constitute the overwhelming majority of the productive forces of Africa. For all these players, the physical, administrative and economic barriers to entry to the banking sector place a fundamental limit upon their capacity to invest.

c) Weakness of infrastructure

Poor quality and inadequacy of infrastructure

Many African countries rack up the dual handicap of having income levels that are among the lowest in the world and utility costs (water, electricity, transport and telecommunications) that are among the highest. This situation arises from the lack of high quality infrastructure,[47] affecting the levels of households' savings and business profits, which in turns depresses investment. In fact, the World Bank estimates that infrastructure and security costs account for 20% to 30% of operating costs in Africa, compared to 10% to 15% in India and China.[48]

Figure 5. Cost structure: % of total cost



Source: Eifert, Gelb and Ramachandran, *Business Environment and Comparative Advantage in Africa: Evidence from the Investment Climate*

Alongside this, the smaller the size of firms, the heavier the burden of infrastructure costs on their operating accounts. To take just one example, that of electricity, it is clear that the poor quality of the grid constitutes one of the main obstacles to conducting business and to the development of SMEs on the continent. While Africa is the continent that has the highest proportion of firms with generators, these are actually less easily accessible to SMEs and micro-enterprises than to large companies.[49]

Obstacles to the development of infrastructure

While the continent's infrastructure needs are massive,[50] public investment only has limited potential. There are still significant budgetary constraints in most African countries, while the proportion of total bilateral ODA allocated to infrastructure fell from 35% to 15% between 1985 and 2003[51] - and now stands at about US$ 10 billion. Even if that aid were significantly increased, it would remain well below what the continent needs in order to be able to support sustained investment and growth. These facts argue in favour of increased private investment in infrastructure, particularly as such investment generally involves a certain expertise and capacity for management.

Africa is also the continent in which private investment in infrastructure is growing most quickly, particularly in telecommunications and, to a lesser extent, in energy,[52] although the transport sector and water and sanitation, in particular, are still financed overwhelmingly from public funds.

The principal obstacles to such development include:

- Inadequate preparation for many infrastructure projects at a “bankable” stage;
- The inadequacy of resources/lack of upstream preparation - the defects of the regulatory environment at the national level, the lack of legal harmonisation for transnational projects, the inadequacy of negotiations or consensus between states;
- The inadequacy/dispersal of resources for feasibility studies to prepare for regional projects;
- The long timeframe for returns on investment and the scale of the commercial and political risks associated with infrastructure projects;
- The lack of national and sub-regional capacity to negotiate Public-Private Partnerships (PPP);
- Market size.

V. How should Africa forge ahead?

Stimulating private investment is the best means of unlocking Africa’s vast potential for growth and development. Investment requirements are enormous and private resources are much greater than public funds. The latter should therefore be used in a targeted manner in order to leverage private investment.

Firstly, improved economic governance and regulations (a) would better allow the resources available to be channelled so as to support sustainable investment and growth that creates employment. FDI would then be able to continue to grow, particularly in the manufacturing sector, while domestic savings might contribute a little more to domestic investment and a little less to capital flight.

Secondly, the development of financial markets (b) could consolidate the macro-economic stabilisation process and meet the financial needs of the informal sector, women entrepreneurs and SMEs, again increasing potential investment growth.

Thirdly, the development of infrastructure (c) via measures designed to increase private finance should also reduce costs and thereby increase business investment. Lastly, it seems that agriculture, which still employs the majority of African workforce, must be the subject of specific initiatives designed to increase its resources and profitability.

a) Improving economic governance

Certain countries such as South Africa, Egypt, Senegal, Uganda and Kenya have increased their transparency and reduced the complexity of their tax systems.[53] Others, such as Mauritius, Namibia, Botswana, Ghana and Tanzania, have simplified business regulations, which has led to a spectacular reduction in the time required to effectively do business.[54] Such initiatives should be pursued and followed by all African countries. They have the capacity to produce a considerable improvement in the business climate. The OECD countries should also lend their support here.

African countries should:

- Simplify their economic regulations and tax systems, notably by establishing one-stop-shops for the creation of businesses or the completion of customs formalities or by reducing registration costs;

- Review tax reductions and exemptions for extractive industries at the regional level;[55]

- Simplify labour legislation so as to encourage investment in highly labour-intensive sectors such as food processing, manufacturing activities and services;

- Achieve deeper regional economic integration so as to increase the mobility of production factors and the trickle-down effects of FDI for local producers;[56]

- Increase their to achieve transparency and to combat corruption, for example by signing up to or implementing the Extractive Industries Transparency Initiative (EITI) – Nigeria is the only one of the fifteen African signatories to have fulfilled all its commitments under the initiative, notably the publication of audited, reconciled reports.[57]

OECD countries should:

- Engage in a dialogue with the emerging economies about reinforcing international standards of corporate governance, for example by supporting the EITI, by complying with OECD guidelines for multinational enterprises or by signing up to the OECD Anti-Bribery Convention;

- Combat corruption by:

  - Translating the United Nations Convention Against Corruption into national laws, policies and practices (and by ratifying it in the case of those countries, particularly among the G8, who have not done so);
  - Reinforcing the OECD Anti-Bribery Convention (by applying it to their local partners);
  - Implementing the Agreement of G8 Justice and Interior Ministers to detect, recover and return illegally acquired assets;[58]

- Speed up the implementation of the African Investment Climate Facility (ICF);

- Support and coordinate evaluation/rating processes and quality indicators covering the regulatory environment (there are many indicators issued by different institutions: World Bank, UNIDO, UNCTAD, OECD, UNDP, Standard & Poor's, Moody's etc.) so as to increase incentives for reform;

- Encourage companies from OECD and emerging countries to pursue dialogue designed to develop voluntary initiatives such as codes of conduct on investment quality.[59]

b) Reinforcing financial markets

Firstly, it is important to develop capital markets (particularly at the regional level) in order to manage the achievement of macroeconomic stabilisation;[60] to increase potential finance for the local economy[61] and to diversify investment options for domestic and foreign investors.[62] Alongside this, the financing of SMEs, female entrepreneurs, the poor and artisans requires that the conditions of access to bank credit should be made more flexible and that the commercial banks should provide a wider range of products and specific micro-financing initiatives.

African countries should:

- Achieve deeper economic and financial integration at the regional level, notably by developing regional capital markets so that they overcome the narrowness of national markets;

- Reinforce rules on competition and increase the flexibility of guarantees (particularly property guarantees) required in the banking sector.

The international community should:

- Support the development of regional capital markets, for example by guaranteeing certain investments, particularly against foreign exchange risk;[63]

- Promote access to credit for the poor, women, micro-entrepreneurs and SMEs through initiatives to support micro-finance, guarantee mechanisms for loans to SMEs[64] and facilities designed to diversify the financial products on offer to small and medium-sized enterprises and farmers.[65]

c) Developing regional and rural infrastructure

By a large margin, there are insufficient public resources to meet the enormous investment needs of the African continent. The development work of African governments and their development partners should therefore be focused on increasing private investment in regional and rural infrastructure.

African countries should:

- Speed up regional economic integration so as to increase market size and improve the viability of infrastructure.

- Improve advance planning for infrastructure projects, particularly by negotiating and harmonising the regulatory framework at the sub-regional level.

- Develop rural infrastructure so as to increase the profitability of the sector – which would be achieved by increasing the agriculture budget, in accordance with the Maputo objectives, which state that it should be increased to 10% of public expenditure.

The international community and the multilateral financial institutions (MFIs) should:

- Launch an initiative to reinforce the capacity of regional economic communities (RECs) to plan regional infrastructure projects;

- Reinforce the Infrastructure Consortium for Africa (ICA) as a platform for dialogue to identify the principal obstacles to infrastructure development and the means of making progress;

- Increase resources/integrate certain facilities for the upstream preparation of regional projects;

- Use guarantee mechanisms, such as partial credit guarantees, in order to reduce the risk aversion of investors.

Box 1. Enhancing Private Sector Investment in the Agricultural Sector

CAADP recognizes the important role the private sector is expected to play in the development of the agriculture sector in Africa. The following constraints are impediments to improve the increase of contract farming: (1) lack of appropriate legal and institutional frameworks, (2) poor infrastructure, (3) weak or undeveloped commodity grades and standards, (4) weak and poorly organized farmer organizations, (5) unfair international trade agreements, and (6) inadequate demand-driven research and extension systems.

In order to enhance the contribution of contract farming to economic growth and poverty reduction, African governments and other stakeholders should immediately pay attention to the following:

- Development of appropriate legal, policy and institutional frameworks including workable and enforceable contract mechanisms;
- Facilitate the harmonization of national and regional policies, legislations and institutions relevant to contract farming;
- Formation of multi-stakeholder-based country task forces on contract farming to kick-start the harmonization process;
- Enhance partnerships, networks and linkages between various stakeholders as a mechanism for addressing the multidimensional capacity constraints facing contract farming;
- Facilitate the evolution of effective and efficient farmers' organizations to influence equitable distribution of risks and benefits between farmers and agribusiness firms;
- Create favourable market conditions to improve market access and develop and/or strengthen market information systems at national, regional and continental levels;
- Accelerate efforts to reduce or eliminate formal and informal trade barriers;
- Align national and regional infrastructural planning and development with the infrastructural demands of contract farming;
- Continuous monitoring and assessment of the impacts of contract farming on poverty reduction, competitiveness of agriculture, environment, gender, and equity, and
- Accelerate implementation of the CAADP agenda for further improvement of the environment for the private sector development taking into account the specific needs of contract farming.

Most of these interventions have to be implemented at the national level, where there are several sources of development funds, such as national budget, grants, and loans. However, national action will generally require complementary interventions at sub-regional (RECs), NEPAD, and AU levels. These interventions can include ensuring agreement on shared commodity priorities, trade facilitation and simplification of barriers to trade, common policies on support to agriculture and agro-industry, codes on incentives for private investment promotion etc.

Notes

1. United National Economic Commission for Africa (UNECA): African Governance Report, 2005.

2. http://www.uneca.org/omd/Story31Oct06.asp

3. Investment is essential to growth: it actually plays a major role in increasing productivity, which in turn is crucial to growth. Bosworth and Collins calculate that total factor productivity growth generates 41% of the growth in the 84 countries that they have studied: c.f. Bosworth, B. and S.M. Collins, 2003: "The empirics of growth: An update", Brookings Papers on Economic Activities.

4. Which put it below the European and American figures (19.5% and 20.7%, respectively) – whereas industrialised countries need less investment than developing countries - and certainly well behind the rate for Asia and Oceania (25.3%).

5. UNCTAD, *Capital Flows and Growth in Africa*. Geneva: United Nations, 2000.

6; World Bank, *World Bank Development Indicators*, Washington DC: The World Bank, CDROM edition, 2005.

7. http://www.mines.gc.ca/VII/VII_A_i-fr.asp

8. http://www.nepad.org/2005/fr/documents/inbrief.pdf

9. United Nations, Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002: http://www.un.org/esa/ffd/indexOverview.htm

10. http://www.g8.gc.ca/2002kananaskis/kananaskis/afraction-en.asp

11. c.f. G8 GLENEAGLES COMMUNIQUE – http://www.data.org/archives/000736.php

12. The World Bank, *Prospects for the Global Economy*, May 30, 2006.

13. http://devdata.worldbank.org/wdi2006/contents/Section4.htm

14. Between 1989 and 2006, the number of African countries practicing multiparty politics increased from 4 to 26: c.f. http://ipsinternational.org/fr/_note.asp?idnews=3546

15. Human Security Center, The Human Security Report, *War and Peace in the 21st Century*, 2005. Cf. http://www.humansecurityreport.info/index.php?option=content&task=view&id=127

16. 85% of reforms in economic regulations actually take place within the first fifteen months following a political change. A change of power between political parties also appears to be the main "trigger" for reform, ahead of crises, international agreements, new diagnoses or donor pressure: c.f. World Bank/IFC, *Doing Business 2007: How to reform.*

17. 67% of African countries implemented at least one reform in 2005-06, compared to just 35% of East Asian countries and 25% of South Asian countries: c.f. Nigel Twose, International

Finance Corporation, *Improving the Investment Climate in sub-Saharan Africa*, NEPAD – OECD Conference, Brazzaville, 12th December, 2006.

18. http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/0, contentMDK:21043365~menuPK:258657~pagePK:2865106~piPK:2865128~theSitePK: 258644,00.html

19. Standard and Poor's, UNPD, *The rating of sovereign states in Africa*, April 2006.

20. The World Bank, *Meeting the Challenge of Africa's Development: A World Bank Group Action Plan*, 2005. Cf. http://siteresources.worldbank.org/INTAFRICA/Resources/aap_final.pdf

21. China has thereby become the continent's third most important trading partner, after the United States and France: c.f. ECOWAS-SWAC/OECD, Atlas on Regional integration, Economy Series, *Africa and China*, December 2006

22. http://allafrica.com/stories/200702051201.html. At the last China-Africa summit, the African countries and China were even planning to increase this figure to more than US$ 100 billion by 2010: c.f. http://www.jeuneafrique.com/articleImp.asp?art_cle=XIN00546levolnesral0

23. World Bank, Global Development Finance, 2006.

24. For example, it is estimated that in Uganda informal remittances are five times higher than official transfers: c.f. Africa Partnership Forum, *Resources for Development in Africa*, APF/MOS-2006/15.

25. The capitalisation of African stock markets is increasing, not only in South Africa and the North African countries but in a certain number of middle-income SSA countries or countries with access to a large market, such as Namibia, Botswana, Kenya, Ghana, Nigeria etc. In addition, certain African firms and banks from countries other than South Africa are beginning to raise funds on the international capital markets, demonstrating the trust that international investors are placing both in these banks and firms, which have achieved a sufficient critical mass, and in the markets in which they operate (Cf. note no. 61).

26. Under the impact of the new commitments made by the G8 countries, who at Gleneagles arranged to increase aid to Africa from US$ 25 to US$ 50 billion between 2005 and 2010, and of the active role played by "new" donors, particularly China, but also India and the countries of East Asia and the Persian Gulf. Since 2000, China alone has signed total or partial debt cancellation agreements amounting to US$ 10 billion and has undertaken to grant Africa concessionary loans worth US$ 10 billion over the period 2006-2008: c.f. ECOWAS-SWAC/OECD, 2006, *Ibid*.

27. 20 African countries now have access to bank loans.

28. Domestic revenues have increased by about 4% of GDP since the beginning of the new millennium and reached an average of 25.1% for all the SSA countries in 2005: c.f. IMF, Regional Economic Prospects – sub-Saharan Africa (2006).

29. C.f. Africa Partnership Forum, *Resources for Development in Africa*, Moscow, 2006 (APF/MOS-2006/15).

30. UNCTAD, World Investment Report, *FDI from Developing and transition economies: Implications for development*, Geneva, 2006.

31. C.f. Stephen Thomsen, Chatham House, *Foreign direct investment in Africa: the private-sector response to improved governance*, International Economics Programme Briefing Paper, July 2005.

32. Stephen Thomsen, *Ibid.*

33. Economic Commission for Africa (ECA), *Economic report on Africa*, Addis Ababa, 2006.

34. World bank, *Global Development Finance* 2005. Washington, DC: The World Bank, CDROM edition.

35. http://www.unctad.org/Templates/Webflyer.asp?docID=6446&intItemID=2068

36. Cf. OECD Development Center*, African Economic Outlook 2006, A Two-speed Continent?* Policy Insights n° 22, May 2006.

37. Cf. The World Bank, 2007, *Challenges of African Growth, Opportunities, Constraints and Strategic directions.*

38. See, *inter alia*: Morisset, J, "Foreign Direct Investment in Africa: Policies Also Matter." *Transnational Corporations* 9(2), 107-125, 2000.

39. UNCTAD: *Capital Flows and Growth in Africa*, Geneva: United Nations, 2000.

40. Cf. UNECA, *Economic report on Africa*, 2006. See also: World Bank, "Doing Business. Benchmarking Business Regulation", 2006. www.doingbusiness.org.

41. Report of the Commission for Africa: *"Our common interest"*, March 2005 - www.commissionforafrica.org.

42. C.f. Boyce, J.K. and L. Ndikumana: "Is Africa a net creditor?" New Estimates of Capital Flight from Severely Indebted sub-Saharan African Countries, 1970-1996", *Journal of Development Studies*, 38(2)L pp.27-56, 2001. The authors have shown that the stock of flight capital over the period 1970-1996 amounted to US$ 285 billion, while the debt of those countries was no more than US$ 193 billion.

43. Cf. The World Bank, *Challenges of African Growth, Ibid*, 2007.

44. Yet real savings are not limited to visible savings and several studies have demonstrated that many households were saving much more than one might have supposed from official figures. In fact, the same factors that explain the weakness of the official savings rate (high level of inflation, difficulties of access to the banking network, political uncertainties etc.) also explain the volume of savings held in the form of physical capital (as livestock, land or real estate). This is at it may be, but the non-monetarisation of savings constitutes a major challenge as, looking beyond approaches based strictly on accountancy, it highlights the potential for developing domestic resources: c.f. SWAC/OECD-MDP, *Le financement du développement local – Un état des lieux en Afrique de l'Ouest* ["*The financing of local development – An inventory on West Africa"*], SAH/D(2002)532, January 2002.

45. UNECA, 2006, *Ibid*.

46. UNCTAD: Capital Flows and Growth in Africa, Geneva: United Nations, 2000.

47. Just 25% of Africans have access to electricity, 36% to drainage and 64% to water; just 19% of African roads are asphalted and there are 8.9 telephone lines per 100 inhabitants.

48. The World Bank, *Challenges of African Growth, Opportunities, Constraints and Strategic Directions, ibid p.64, 2007.*

49. The World Bank, *Challenges of African Growth, Opportunities, Constraints and Strategic Directions, ibid p.61, 2007.*

50. The World Bank puts them at almost US$ 40 billion of investment per annum for the next 10 years, if they are to achieve the MDGs.

51. Presentation by Michael Roeskau (OECD), at NEPAD-OECD Roundtable on investment in Africa, held in Brazzaville, 12th-13th December 2006.

52. C.f. Michel Wormser (World Bank), *Accelerating support to infrastructure in Africa*, Infrastructure Consortium Meeting, Berlin, January 2007.

53. Ndikumana, L. and J. Nannyonjo: "From Failed State to Success Story?" in J.K. Boyce (Ed.), *Peace and the Public Purse* (forthcoming), 2006.

54. World Bank/IFC, *Doing Business 2007: How to reform.*

55. http://allafrica.com/stories/200702051201.html

56. Aside from regulation per se, programmes designed to reinforce such interaction could also be set up. For example, Egypt has established a programme to reinforce the capacity of domestic suppliers, whereby the 100 leading transnational firms trading in the country designate twenty local subcontractors who are to benefit from technical assistance and an expanded credit programme: c.f. UNCTAD, World Investment Report 2006, *FDI from Developing and Transitions Economies: Implications for Development*, Geneva, box II.3.

57. Publish what you pay/Revenue Watch Institute, Eye on EITI, *Civil Society Perspectives and Recommendations on the EITI*, Oct. 2006.

58. It would be interesting to assess the progress made in implementing the Washington Agreement of 2004, reaffirmed in St. Petersburg in 2006.

59. C.f., in particular, the dialogue conducted in the context of the IFC (International Finance Corporation).

60. A growth in capital inflows is all the more likely to cause an appreciation of the exchange rate and inflationary surges if the financial system is tight. Thus, the ratio of money supply to GNP (M3/GNP), which expresses the financial depth or degree of monetarisation of an economy, is 25.4% for sub-Saharan Africa, compared to 105.6% in the developed economies and 150.6% for East Asia and the Pacific. Indeed, the development of capital markets could increase the financial depth of African economies.

61. Furthermore, certain African firms and banks are already accessing not only regional markets, but also international capital markets in order to refinance themselves. For example, one Nigerian bank recently successfully took out Eurobonds worth US$ 521 million in a single day, 221 more than it had hoped to raise when it launched the operation: c.f. http://timbuktuchronicles.blogspot.com//2007/01/gtbanks-eurobond-issueover-subscribed.html

62. Certain countries that developed their stock markets at an early stage, such as South Africa, Egypt, Morocco and Tunisia, thereby feature among the ten leading recipients of FDI on the continent.

63. The ASEAN (ASEAN +3) governments have launched an initiative guaranteeing certain investments on the Asian bond market (Asian Bond Market Initiative) so as to limit exchange rate fluctuations and to develop the local market.

64. For example, the *Agence française de développement* ["French Development Agency"; AFD] is providing guarantees to banks from the priority solidarity zone for French cooperation that grant loans to SMEs, so as to limit the risks incurred by those banks: c.f. AFD and the Private and Financial Sectors, *Financing Sustainable Development.*

65. Thus, Syngenta, a foundation including public and private banks (including Deutsche Bank and Shell) has created a US$ 43 million facility designed to finance loans to agriculture of between US$ 50,000 and 1 million in Uganda, Tanzania, Kenya (relying to this end upon the regional market created by these three countries) and Rwanda: c.f. http://www.syngentafoundation.org/syngenta_foundation_organization.htm.

Annex:
Expert Meeting on Investment

23 February 2007 ◆ Johannesburg, South Africa

A meeting of African and international experts was organised jointly by the APF Support Unit and the NEPAD Secretariat in Johannesburg on 23 February 2007, as part of the process of developing this paper. We are grateful for the comments and advice received at this meeting. The full list of institutions represented is below.

INTERNATIONAL AND AFRICAN INSTITUTIONS
African Development Bank (AfDB)
Food and Agriculture Organization (FAO)
Infrastructure Consortium for Africa (ICA)
International Finance Corporation (IFC)
Organisation for Economic Co-operation and Development (OECD)
United Nations Conference on Trade and Development (UNCTAD)
United Nations Economic Commission for Africa (UNECA)
United Nations Industrial Development Organization (UNIDO)
OTHER INSTITUTIONS
Investment Climate Facility (ICF)
South African Institute of International Affairs (SAII)
GOVERNMENTS
Republic of Congo
Denmark
Germany

Peace and Security in Africa

This paper was prepared by the APF Support Unit for the 8th meeting of the Africa Partnership Forum held on 22-23 May 2007.

It was written by David Batt with research assistance from Francesca Pavarini and was discussed with the AU Commission and NEPAD.

A. Peace and Security: Key Political Messages and Action Points

More action is needed, by both Africa and the wider international community. Building peace and security is essential, both for economic development and for poverty reduction. Leadership is being taken by Africa itself. The number of conflicts has fallen. But even so, one-fifth of the population of Africa still live in conflict zones. More action is needed both to strengthen and support Africa's own efforts to bring peace to the continent, and to tackle the wider global drivers of conflict, including the illicit trade in small arms and light weapons, and the trade in conflict resources.

1. **Sufficient predictable funding** remains the largest constraint on peacekeeping by the African Union and regional organisations. The scale of the challenge means that significant external resources will be needed for some time. **We call for** the establishment of a new complementary Peace Facility, in order to provide more secure, predictable, flexible and better coordinated **funding**, both for the African Union and for sub-regional organisations, and for consideration also to be given to funding from the UN budget, as requested by the AU Summit in January 2007.

2. Improved funding arrangements need to be accompanied by intensified efforts on **capacity-building** - including civilian and military resources on the ground, and management resources at institutional headquarters. **We call for** the accelerated implementation of **capacity-building** programmes in both the African Union and regional organisations, and for increased support from the wider international community for African initiatives in this area.

3. Africa's efforts to build peace operate within the framework of the wider international security system, and under the authority of the **UN**. We welcome the statement of the President of the Security Council in March, underlining the importance of strengthened co-operation between the African Union and the UN, and note that the Secretary General is providing a report on this issue**.** **We call for** early agreement on ways to improve co-operation and co-ordination between the **AU and the UN**, as well as for more systematic and regular **co-ordination** arrangements between the AU and sub-regional organisations, and development partners, in line with Paris Declaration principles.

4. Conflict in Africa does not take place in a vacuum. Many states are still confronted with the uncontrolled spread of **small arms and light weapons**, and lack the legislation, control mechanisms and capacity to respond to this. We welcome Africa's efforts to establish a continental regulatory framework. **We call on** all governments to implement fully their **existing commitments** under both UN and the relevant African instruments, and to take forward work on the development of an **Arms Trade Treaty**. **We also call for** the acceleration of **capacity-building** efforts at national and regional level, and for increased support in this area from the international community.

5. Natural resources are one of Africa's greatest assets. But the **trade in conflict resources** has also contributed to instability and conflict in the continent, fuelling some of the most brutal conflicts of recent years. **We call for** agreement in the UN on a definition of '**conflict resources**', in order to enable the international community to respond more quickly in such situations, for strengthened action to tackle **impunity** including, where appropriate,

the referral of cases to the International Criminal Court, for an accelerated process within Africa to establish minimum standards for **national resource governance**, and for strengthened arrangements to promote **corporate social responsibility**.

6. There have been extensive commitments from both Africa and the international community in many of the areas above over recent years, including at the UN, in the AU, and in successive G8 Summit declarations. We believe it is time to take stock. **We call for** a systematic and comprehensive **review** of what has been promised, what has been delivered, and what has been achieved, and for this review to be undertaken jointly by African governments and their continental and regional institutions, and the wider international community.

B. Peace and Security in Africa

Introduction

Consolidating peace and security is essential to achieving faster economic growth and development and progress towards the Millennium Development Goals (MDGs) in Africa. Violent conflict has killed and displaced more people in Africa than in any other continent over recent decades. It has caused immense human suffering, and set back growth and development, and progress towards the MDGs, as well as leading to huge financial costs for peace-keeping missions and reconstruction. After increasing steadily through to the early 1990s, the number of conflicts has decreased significantly since 2002. But it still remains high compared to other regions. Moreover, experience shows that there is inevitably a risk of renewed conflict in post-conflict societies. Sustainable peace requires a comprehensive strategy tackling all phases of the conflict cycle – from the origins of conflict, to peace support operations, peace-building and post-conflict reconstruction.

Leadership in the effort to bring peace to Africa is being taken by Africa itself. The African Peace and Security Architecture (APSA) was launched by the AU in 2002. Sub-regional organizations, which are an integral part of the APSA, are increasingly collaborating with the AU and building their capacity in conflict prevention, mediation and resolution. These developments have led to several recent peace support operations by the AU and regional organizations, including the African Missions in both Burundi and Sudan, and ECOWAS peace-keeping forces in both Liberia and Cote d'Ivoire. A number of other key commitments have been entered into including the Bamako Declaration on Small Arms and Light Weapons (2000), and the Protocol on the Rights of Women (2003) – Article 11 of which refers to the protection of women in armed conflicts.

The international community has a key role to play in supporting these African-led efforts. The G8 Africa Action Plan adopted in Kananaskis in 2002 sets out comprehensive G8 commitments in this area. More specific commitments, with a focus on peace support operations, were made at successive G8 Summits, and at subsequent consultation meetings with the AU and other African institutions, broadened to include other development partners as well as the G8. Resources have been provided through a number of different mechanisms, including the Africa Peace Facility set up by the EU in 2004 at the request of the African Union, for which new funds have now been committed for 2008–10, as well as other contributions both in cash and in kind.

The UN has undertaken a number of major peacekeeping missions including in Sierra Leone, Liberia and the Democratic Republic of Congo; it has established a Peacebuilding Commission and launched a fund to provide quick-disbursing and non-earmarked resources – from which Burundi and Sierra Leone have been the first countries to benefit; and the Secretary General also announced in 2005 a ten-year capacity-building programme with the AU. The AU Summit of January 2007 requested that the UN should consider funding the peace support operations undertaken by the AU or under its authority and with the consent of the UN Security Council. The UN Security Council has requested the Secretary General to provide a report, in consultation with the relevant regional organizations, to include specific proposals on how the United Nations can better support arrangements for further co-operation and co-ordination with regional organizations on Chapter VIII arrangements.

The purpose of this paper is to focus on how Africa and the international community can now strengthen their efforts to bring peace to Africa, both through the African Peace and Security Architecture (APSA) and by tackling the wider global context within which conflict occurs. It focuses on 3 specific issues. Section I looks specifically both at the African Peace and Security Architecture and at the role of regional organizations, the building blocks of the APSA, within the framework of existing international commitments. Section II looks at the illicit trade in small arms and light weapons, and at how this can be addressed by both Africa and the international community. Section III looks at the management of natural resources, and specifically at the trade in conflict resources. Finally, Section IV then looks at the need for a review and evaluation of lessons learned so far. **The main points in each of these areas are summarised in the rest of this introduction. The key action points are contained in a one-sided matrix of recommendations directly following this introduction.**

The African Peace and Security Architecture includes mechanisms such as the Peace and Security Council of the AU, a Continental Early Warning System, a Panel of the Wise as an enhanced mediation capacity, an African Stand-by Force and a Post-Conflict Reconstruction and Development Framework. This continental architecture is complemented by the mandates and activities of the sub-regional organizations. This paper focuses on funding, capacity and institutional issues – specifically in relation to peace support operations, and on the wider issue of co-ordination across the international system. Each of these areas requires a response from both Africa and the wider international community. Within ***Africa***, governments need to mobilise funding for the peace support operations; African institutions need to accelerate implementation of existing capacity-building programs and to identify immediate priorities within these programmes; the detailed recommendations which have been made on building a civilian dimension into peace support operations need to be taken forward; and the Memorandum of Understanding (MoU) between the AU and sub-regional organisations needs to be signed soon. Although the lead needs to be taken by Africa, the scale of the challenge means that significant external support will be needed for some time. ***Development partners*** therefore have a key role to play. Sufficient predictable funding remains the largest constraint on peacekeeping by the African Union and sub-regional organisations. Development partners should provide more secure, predictable, flexible and better coordinated funding both for the AU and for sub-regional organizations, including through a complementary Peace Facility: they should support initiatives to develop capacity, and also to build a civilian dimension into peace support operations, and they should support efforts to improve co-ordination between the UN, the AU, and sub-regional organizations, including a review of the option of UN funding for peace support operations undertaken by the AU or under its authority and with the consent of the UN Security Council, as requested by the African Union.

Small arms and light weapons. Despite action taken both in Africa and internationally, many States are still confronted with the uncontrolled spread of small arms and light weapons, and lack the national legislation, control mechanisms and capacity to respond to this. The problem exists at a number of different levels: the illicit transport of weapons to Africa from outside the continent; cross-border trade within Africa; and the seepage at national level of small arms and light weapons to armed groups promoting conflicts. There are links not just to conflict, but also to terrorism, organized crime and domestic violence. ***African governments*** need to: fully implement commitments under both UN and the relevant African instruments, strengthen national and regional capacity to deal with these issues, and agree a new continental regulatory framework. The wider ***international***

community should also fully implement commitments under existing UN instruments including those on illicit small arms brokering, provide increased assistance to Africa for capacity-building and take forward work on the development of an Arms Trade Treaty.

Management of natural resources and trade in conflict resources. There is a greater need to strengthen the framework for the equitable exploitation of Africa's natural resources, in order to accelerate its growth and development, and progress towards the MDGs. There are a number of ways in which the management of natural resource wealth needs to be strengthened, including the development of investment codes, banking sector reform, and increased transparency, which are addressed in the Investment paper. This paper focuses specifically on the trade in '**conflict resources'** – natural resources which can provide a source of financing that makes conflict possible. ***African governments/institutions*** need to accelerate the process of setting minimum standards for natural resource governance more generally, and develop and implement further regional protocols against the illegal exploitation of natural resources. The ***international community*** should agree on a definition of conflict resources at the UN; strengthen institutions to fight impunity including, where appropriate, the referral of cases where appropriate to the International Criminal Court as part of their efforts to consolidate peace and promote reconciliation, and strengthen arrangements for corporate responsibility, including through potential changes to the OECD Guidelines on Multinational Enterprises.

Review and evaluation of lessons learned. There are, as summarized in the paper, already extensive commitments from both African governments and the international community in many of these areas, including in successive G8 Summit declarations over recent years. Whilst not recommending that there should be a pause in new commitments where they are needed – as in the areas above – the paper does recommend that there should now be a more systematic and comprehensive review of what has been promised, and what has been done. This review should be undertaken jointly by ***African governments*** and their continental and regional institutions, and the ***wider international community.***

Table 1. Matrix of Key Policy Areas and Action Points on Peace and Security in Africa

KEY POLICY AREAS	KEY ACTION POINTS	
	African Governments/Institutions	**International Community**
African Peace and Security Architecture: Funding, Capacity and Institutional Issues	Mobilise funding for the AU Peace Fund, and for peace support operations undertaken by sub-regional organisations; Accelerate the implementation of capacity-building programs; identify immediate priorities at both operational and institutional levels; Implement recommendations for the integration of civilian dimension into peace support operations; Speed up the signature of the MoU between the AU and RECs.	More secure, predictable, flexible and coordinated funding arrangements, for both the AU and RECs, including through a complementary Peace Facility. Consider case for UN funding of AU-led peace support operations; Support for African initiatives to improve operational and institutional capacity; Support for African initiatives on civilian dimension Support for strengthened co-operation and co-ordination between the AU and the UN.
Small Arms and Light Weapons	Fully implement commitments under UN and African instruments; Strengthen capacity at national, regional and continental levels, and include action in this area in broader national planning processes; Complete current work to develop legally binding continental regulatory framework	Fully implement commitments under UN and where relevant other (eg EU) instruments, including strengthened co-operation to tackle illicit small arms brokering; Increase assistance on capacity-building; Maintain momentum on current efforts to develop Arms Trade Treaty;
Management of Natural Resources and Trade in Conflict Resources	Accelerate the continental process of generating minimum standards for natural resource governance; Develop and implement further regional protocols against the illegal exploitation of natural resources	Agreement in UN on definition of conflict resources; Referral of cases to the ICC to investigate and punish trade in conflict resources; Strengthen arrangements for corporate social responsibility and promote code of conduct for investment, including potentially through changes to OECD guidelines
Review and Evaluation	Joint review and evaluation of commitments made, and actions taken	

I. The African peace and security architecture, regional organisations, and international commitments

a) Background

(i) The Peace and Security Architecture of the African Union

The AU Assembly signed in Durban (2002) the Protocol relating to the establishment of the **Peace and Security Council** (PSC) of the African Union. The objectives of the PSC include the promotion of peace, security and stability in Africa, the anticipation and prevention of conflicts, and the promotion of peace-building and post-conflict reconstruction. The Protocol entered into force in December 2003. It foresees a number of organs and instruments through which the PSC can achieve its objectives, including:

• A **Panel of the Wise,** which is intended to enhance the AU's mediation capacity by engaging in preventive diplomacy before a potential conflict reaches crisis proportions. Members were appointed at the AU Summit in January 2007, and steps have been taken to finalise the modalities for the functioning of the Panel, which shall be endorsed by the PSC. Significant resources will be required to ensure that the panel discharges its mandate effectively;

• A **Continental Early Warning System** (CEWS), aimed at harmonising and coordinating regional early warning systems. The AU recently drafted a 'Framework for the Operationalisation of the CEWS' which was approved by the AU Summit in Addis Ababa during January 2007;

• An **African Stand-by Force** (ASF). The ASF is regionally based and consists of 5 stand-by brigades, military observers and civilian police. This will provide the AU with a combined stand-by capacity of 15,000 to 20,000 peacekeepers. A Military Staff Committee advises and assists the Council in peacekeeping and other matters. Progress at regional basis is solid if uneven. At the level of the AU Commission the current phase in the development of the Force is aimed at building capacity to manage complex peace support operations, including all of their military and civilian components;

• A funding mechanism in the form of the **Peace Fund** inherited from the OAU to provide the necessary financial resources for peace support missions and other operational activities related to peace and security; and

• **A Post-Conflict Reconstruction and Development Policy** (PCRD), endorsed at the AU Summit in Banjul in July 2006. According to its objectives, the AU should provide strategic leadership and oversight of PCRD processes in the continent.

(ii) Sub-regional organisations

The **sub-regional organisations** are the building blocks of the AU. The AU has recognized 8: ECCAS (Economic Community of Central African States), ECOWAS (Economic Community of West African States), IGAD (Inter-Governmental Authority for Development), SADC (Southern Africa Development Community), CEN-SAD (Community of Sahel-Saharan States), AMU (Arab Maghreb Union), COMESA (Common Market for

Eastern and Southern Africa) and the EAC (East African Community). These have been building up capacities in the field of conflict prevention and resolution. The sub-regional organisations are closely collaborating with the AU and their activities will be harmonized and coordinated by the AU Commission. Article 16 of the Protocol relating to the establishment of the PSC clearly defines the role of the RECs and foresees the signature of a Memorandum of Understanding that will regulate the relationship between them and the AU on the basis of the principle of subsidiarity.

(iii) Recent peace support operations

Several **peace support operations** have been undertaken by the **AU** or **sub-regional organisations**. In Burundi, the African Mission in Burundi (AMIB) was the first peacekeeping operation mandated and led by the AU. In Liberia and Côte d'Ivoire, ECOWAS put in place peacekeeping forces, respectively ECOMIL and ECOMICI, in full conformity with the decisions of the AU. A number of missions are currently operational:

- FOMUC "the *Force Multinationale* of the CEMAC *(Communauté économique et monétaire de l'Afrique centrale)*, is the Peace Support Operation deployed in Central African Republic (CAR) from 2002;

- The African Mission in Sudan (AMIS), the AU's peace support operation in Darfur. This is the largest peace support operation ever deployed by the AU. Steps are under way to strengthen the mission within the framework of the 3-phased approach that would culminate in the deployment of a hybrid AU-UN operation, to be funded through UN assessed contributions.

- The African Mission in Somalia (AMISOM) is in the process of being deployed. So far 1,700 Ugandan troops are on the ground. However, serious financial and logistical difficulties have contributed to the delays in the deployment of additional troops, to reach the authorized strength of 8,000.

- AU Observers are deployed in Burundi as part of the Joint Verification and Monitoring Mechanism provided for by the Comprehensive Ceasefire Agreement of September 2006 between the government of Burundi and the Palipehutu-FNL. In addition, 760 troops from South Africa have been deployed in Burundi as the nucleus of the AU Special Task Force for the protection of leaders and combatants of the Palipehutu-FNL, also in accordance with the Comprehensive Ceasefire Agreement, and following the mandate given by the PSC;

- AU observers are currently deployed along the border between DRC and Rwanda, together with observers from the UN and the two parties, as part of the joint verification mechanism agreed upon between the two countries in September 2004;

- AU observers are in the process of being deployed to Southern Sudan to assist in the implementation of the Ceasefire Agreement between the Lord's Resistance Army (LRA) and the Ugandan government;

- AU Liaison Officers, based in Asmara and Addis Ababa, contribute to the monitoring of the Temporary Security Zone between the two countries;

- Planning is underway to deploy a Securitization Force to provide security during the forthcoming elections in the autonomous islands in the Union of the Comoros. A number of observer missions have previously been deployed to the Comoros, including AMISEC (African Union Mission for Support to Elections in Comoros) in 2006, which provided security during presidential elections which took place in the archipelago in March/April 2006.

It should also be noted that, in January 2005, the Peace and Security Council took a decision on the forceful disarmament and neutralization of the ex-FAR/Interahamwe and other armed groups in eastern DRC. A reconnaissance mission was sent to the region as a follow-up to this decision. Subsequently the PSC had an exchange of views on the outcome of the reconnaissance mission and agreed to continue consultations on its recommendations, after which it would convene a meeting at the appropriate level to finalize its deliberations.

There have in addition been several major **UN-led** peacekeeping missions in Africa, including Sierra Leone (at a total cost of US$2.8 billion), Liberia (US$745 million this year) and Democratic Republic of Congo (US$1.3 billion this year).

AU-led peace support operations are intended, like those led by the UN, to include a significant civilian component, in order to assist not just in the restoration of peace and security, but also in peace-building, including the disarmament, demobilization and reintegration of ex-combatants, and post-conflict reconstruction and development. This is provided for in the Peace and Security Council (PSC) Protocol, and elaborated in the framework document subsequently adopted in 2003 on the establishment of the African Stand-by Force. A draft policy framework for the civilian dimension of the African Stand-by Force was considered at an expert workshop in September 2006, and contains a number of detailed recommendations to the AU Commission. It defines not only substantive civilian functions as part of peace support operations, but also a significant police element. The AU is currently engaged in a process to implement and flesh out the recommendations.

(iv) Support from the International Community

In support of the African Peace and Security Architecture, the G8 have focused in particular on supporting Africa's efforts to develop its capacity to undertake peace support operations and peacebuilding activities. At the ***Kananaskis*** Summit in 2002, the G8 adopted an Africa Action Plan containing a detailed list of commitments including to '*provide technical and financial assistance so that, by 2010, African countries and regional and sub-regional organizations are able to engage more effectively to prevent and resolve violent conflict on the continent, and undertake peace support operations in accordance with the United Nations Charter*'. Other elements of the Action Plan covered small arms and light weapons, anti-personnel mines, and the linkage between conflict and the exploitation of natural resources.

At the Evian (2003), Sea Island (2004) and Gleneagles (2005) Summits, the G8 reiterated and developed this commitment. The ***Evian*** Summit adopted a more specific "Joint Africa/G8 Action Plan" aimed at enhancing African capabilities to undertake peace support operations so that by 2010 Africa will be able to engage more effectively in the prevention and resolution of conflicts. The Joint Plan provides for the establishment, equipment and training of coherent, multinational, multi-disciplinary stand-by capabilities at the AU and regional level. The ***Sea Island*** Summit adopted an Action Plan on 'Expanding Global

Capability for Peace Support Operations' with a particular focus on Africa, and consisting of several elements, including training and equipping 75,000 troops worldwide by 2010, developing transportation and logistic support arrangements, increasing efforts to train carabinieri/gendarme-like forces, and establishing G8 expert level meetings to exchange information and to coordinate efforts. The ***Gleneagles*** Summit called for action in the UN to boost peace building action, improve the effectiveness of sanctions regimes, improve international controls on arms transfers, and combat the role of 'conflict resources'. It also committed the G8 to focus more attention on humanitarian emergencies and financing for post-conflict countries.

Following Sea Island, a system of 6-monthly consultative meetings between the AU, African Peace and Security Institutions, G8 member countries, and other partners was established. The first two meetings were held between April and October 2005, but none took place during 2006, and a further meeting is now scheduled for May 2007. These meetings clearly do need to be held on a regular basis, as an important mechanism for ensuring the necessary co-ordination between the AU, sub-regional organisations and development partners as a whole (both G8 and non-G8), and for tracking the implementation of commitments.

(v) Resources

Sufficient, predictable funding remains the largest constraint on peacekeeping by the African Union. The Protocol establishing the Peace and Security Council reinvigorated the Peace Fund to finance the AU's activities in this area, to which Member States are expected to contribute regularly, and for which other contributions are also sought.

In practice, the financial costs of AU-led peace support operations have largely been funded by the international community while Africa has provided troops and substantial political leadership in the management and resolution of conflict. Support from the international community has occurred through a number of different mechanisms. These include:

- The EU Africa Peace Facility of €250 million that was approved in December 2003. New funds have been committed for a replenishment of €300 million to the facility for the period 2008 – 2010. This Facility is able to cover many of the costs associated with peace support operations, though some costs are non-eligible;
- Cash contributions to the AU Peace Fund;
- Cash contributions provided on an ad-hoc basis, in response to specific requests;
- Contributions in kind (for instance equipment, logistic support, and technical support).

There have, however, also been a number of problems. One has been an overall shortfall in resources required, compared to need. A second has been the ad-hoc nature of some of the funding, which has led to a lack of predictability and difficulties in planning ahead. A third has been the multiplicity of different funding channels, which has meant that the AU Commission has had to spend considerable time dealing with donors and their different administrative requirements.

The African Mission in Sudan (AMIS) provides an example of the difficulties arising from a lack of predictable funds over the medium-term. Neither of the two pledging conferences organised in mid-2005 and mid-2006 succeeded in mobilising the financial resources needed to run the operation smoothly. In the event, contributions were mobilised on a largely piecemeal basis. The budget for the Mission during the current 6-month period (Jan – June 2007) is US$ 297.6 million. Of this only US$137.9 million had been pledged by the end of April, excluding contributions in kind. Mobilising, managing and coordinating the resources required for the Mission in Somalia will present further challenges as the total for the African Mission in Somalia is US$394 million. It is against this background that the AU Commission has requested development partners to establish a complementary Peace Facility that could potentially also cover the non-eligible costs under the EU's Peace Facility.

(vi) Co-operation between the AU and the UN

The Protocol establishing the Peace and Security Council (PSC) makes it clear that the PSC is expected to operate within the international security system under the authority of the UN Security Council, which has primary responsibility for dealing with issues of international peace and security. Although little-used thus far, Chapter VIII of the UN Charter provides the legal basis for regional organisations to undertake peacekeeping operations.

Recent years have seen improved collaboration between the UN and the AU although much more can be done. There are a number of possible options, including: a stronger AU presence in New York; permanent liaison officers in New York and Addis Ababa representing the secretariats of the AU PSC and the UNSC, respectively; closer contacts between AU PSC Ambassadors in and the UNSC member states in New York as well as in Addis Ababa, respectively; annual or semiannual consultations in Addis Ababa and New York, and exchange schemes for the staff of the respective secretariats.

The UN Peacebuilding Commission established in 2005 needs to be included in the framework for strengthened collaboration between the AU and the UN. In this context, the Peacebuilding Fund was launched in 2006 to enable un-earmarked resources to be readily available for quick disbursement. Burundi and Sierra Leone are the first countries to benefit, each having being allocated $25 million by January 2007. However, of the $250 million per annum target set by the Fund, only $140 million has been made available

b) Next steps

(i) African Governments/Institutions

1. Full establishment of the APSA and its constituent parts

The African governments, through the AU and the RECs, should intensify their efforts towards the full establishment of the APSA. This includes:

- the ratification, by those countries that have not yet done so, of the PSC Protocol;

- the operationalisation of the CEWS, based on the framework agreed upon in Johannesburg in December 2006;

- the operationalisation of the ASF and the enhanced effectiveness of the Military Staff Committee (MSC);

- the accelerated implementation of the civilian component of peace support operations in the roll-out of the ASF. The civilian component of peace support operations is essential if these operations are to succeed not just with immediate peace and security issues, but also in managing the transition from a state of conflict to sustainable peace; and

- the finalization of the Memorandum of Understanding (MOU) between the AU and the RECs, to clearly define the respective responsibilities of each. This MOU should be finalized and implemented as a matter of priority, and donors should ensure that any programmes of support both reflect and reinforce the agreed division of responsibilities and co-ordination mechanisms, rather than undermine them.

2. Increased funding from Member States

Certain countries, notably Nigeria and South Africa, have made tremendous contributions to the funding of peacekeeping operations on the continent. However, overall, the contribution from Africa to the peacekeeping operations undertaken by the AU and the RECs is limited. While the support of Partners is clearly required for their continued sustainment, it is important for African states to increase their contributions.

3. Building Capacity

The leadership in capacity development can only be taken by the management of the institutions concerned, with the support of the membership. They are already a number of capacity-building programmes. The key next steps are to accelerate the implementation of these, and to identify immediate priorities at both operational and institutional levels, given that the full implementation of the programme will inevitably take time. Civilian and military resources provided on the ground need to adequate, and properly trained and equipped. At the institution level, an important priority is to address capacity constraint in the area of financial management, in order to secure increased financial resources from both African and external sources. Another important priority is to develop capacity for information sharing, lessons learnt and best practices.

(ii) Development Partners:

1. More – and more predictable - funding

Substantial external resources will be needed from the international community for some considerable time ahead. The next step should therefore be to move towards more secure, predictable, flexible and coordinated funding arrangements, both for the AU and RECs, in particular insofar as peacekeeping operations are concerned. This should be done within the framework of a complementary peace facility, to be established along lines similar to the African Peace Facility put in place by the EU.

The issue of funding regional peacekeeping operations as part of the assessed scale of UN peacekeeping contributions in the case of Chapter VIII missions needs to be revisited. A decision to this effect was taken by the AU Summit which met in January 2007. Subsequently, the UN Security Council, under the presidency of South Africa, discussed this matter and issued a Presidential Statement in which it stressed the importance of supporting and improving in a sustained way the resource base and capacity of the African Union. It asked the UN Secretary General to provide a report, in consultation with the relevant regional organizations, on specific proposals on how the UN can better support arrangements for further co-operation and co-ordination with regional organizations on Chapter VIII arrangements.

The UN Peace Building Fund provides another important channel of finance, as illustrated through the allocations to Burundi and Sierra Leone. Additional funds should be provided to meet the $250 million per annum target set for the Fund.

2. Support for capacity development and support to the establishment of the APSA

Although the leadership on capacity development can only be taken by the management and membership of institutions, there is also an essential role for external partners in ensuring that appropriate funding, and where necessary technical support, is available. In some cases, such support might be provided in effect through flexible un-earmarked funding. But those development partners for whom this is not possible should provide financial support specifically earmarked for capacity development.

3. Improved co-ordination and harmonisation

Recent years have seen improved collaboration between the UN and the AU although much more can be done in this area. Although systems for consultations with and co-ordination between external partners have also developed, these are not yet on the systematic and regular basis which is required, and need further attention.

II. Small arms and light weapons

a) Background

The illicit spread of small arms and light weapons has a major impact on conflict in Africa, and indeed globally. More than 600 million small arms are estimated to be in circulation, stock-piles and private collections, and several million more are produced each year in more than 90 countries. These weapons are easily and cheaply available in zones of conflict, and are also closely linked with terrorism, organised crime and domestic violence across the world. Tackling the problem requires action at global, regional and national levels.

(i) UN Instruments

In May 2001 the General Assembly adopted the UN Protocol Against the Illicit Manufacturing of and Trafficking in Firearms, Parts and Components and Ammunition. This entered into force in July 2005, and 60 states are currently party to the Protocol. In July 2001 more than 140 states adopted the Programme of Action to Prevent, Combat and Eradicate the Illicit Trade in Small Arms and Light Weapons in All Its Aspects (UNPoA) which promotes measures such as stock-pile management, controls on exports and arms brokering activities, weapons collection and disposal, and disarmament, demobilisation and re-integration of ex-combatants. The Programme is, however, not legally binding, and did not include measures or restrictions in areas such as transfers to non-state actors and the possession and use of small arms by civilians. In June/July 2006 the first review conference brought states together to review progress made in implementing the Programme. However, this Review Conference was unable to reach agreement on a final outcome document, or on future UNPoA review conferences.

The UN Instrument on Tracing Illicit Small Arms adopted by the General Assembly in December 2005 builds on the minimum standards on marking, record-keeping and co-operation in the tracing of small arms that are contained in the UN Firearms Protocol and the Programme of Action. It encourages states to mark all legally produced small arms with a code containing a unique serial number and information that identifies the country of manufacture and the manufacturer. In addition, states are encouraged to keep adequate records on small arms production and transfers, and to cooperate in the tracing of small arms recovered outside their country of production. The Instrument is again not legally binding and does not include ammunition.

A number of further resolutions were adopted by the General Assembly in December 2006: a resolution emphasising the importance of implementing the Programme of Action; a resolution on assistance to states for curbing the illicit traffic in small arms and collecting these weapons; and a resolution calling on the Secretary General to seek the views of member states and to establish a group of governmental experts to report in 2008 on 'the feasibility, scope, and draft parameters for a comprehensive and legally binding instrument' on the trade on conventional arms.

The Geneva Declaration on Armed Violence and Development commits countries to promote sustainable security and a culture of peace by taking action to reduce armed violence and its negative impact on socio-economic and human development. Countries will strengthen their efforts to integrate armed violence reduction and conflict prevention programmes into national, regional and multilateral development frameworks, institutions and strategies, as well as into humanitarian assistance, emergency and crisis management initiatives. The Declaration sets 2015 as the deadline to achieving measurable reductions in the global burden of armed violence and tangible improvements in human security worldwide.

(ii) African Instruments

African states adopted in December 2000 the Bamako Declaration on a Common African Position on the Illicit Proliferation, Circulation and Trafficking of Small Arms and Light Weapons which drew together the following regional initiatives:

- the ECOWAS Moratorium on the Importation, Exportation and Manufacture of Light Weapons adopted by West African states in 1998, which prohibited the import, export and manufacture of small arms and light weapons.

- The Nairobi Declaration on the Problem of the Proliferation of Illicit Small Arms and Light Weapons in the Great Lakes Region and the Horn of Africa signed on March 2000.

- The Southern African Regional Action Program on Light Arms and Illicit Trafficking agreed upon in May 1998.

The Bamako Declaration, which was adopted in preparation for the UNPoA process, made a significant contribution to the UNPoA itself, influencing both its form (its sections included action to be taken at national and regional level, which was later replicated and expanded in the UNPoA) and its content (in particular the emphasis placed on developing institutional capacity at national and regional level). However, the continental SALW process suffered one major lacuna, insofar as it lacked institutional mechanisms at the AU level to monitor progress by member states in meeting small arms commitments.

Some of these regional initiatives have gone further, developing legally binding documents such as:

- The Southern Africa Development Community (SADC) Protocol on the Control of Firearms, Ammunition and Other Related Materials signed in August 2001, which entered into force as a legally binding document in 2004;

- The Nairobi Protocol for the Prevention, Control and Reduction of Small Arms and Light Weapons signed by states in East Africa, the Great Lakes Region and the Horn of Africa in 2004. This commits signatory states to establishing controls across a range of areas including civilian possession, transfer controls, manufacturing, marking and tracing, brokering and enforcement of arms embargoes. It entered into force as a legally binding document in May 2006;

- A new Convention on Small Arms and Light Weapons signed by ECOWAS Heads of State in June 2006, which replaces the previous ECOWAS Moratorium (see above). This Convention enables ECOWAS to impose sanctions on member states if they fail to comply with its restrictions on the manufacturing, import and export of SALW. It prohibits all international transfers of SALW except when authorised by the ECOWAS Secretariat in order to meet legitimate defence or security needs, or for peacekeeping missions, and specifically bans transfers of weapons to non-state actors.

In December 2005, in preparation for the 2006 UNPoA Review Conference, AU Member States, meeting in Windhoek, Namibia, adopted the Windhoek 'African Common Position' on progress made in Africa in implementing the UN Programme of Action. This reaffirmed support for the PoA, and highlighted a number of areas for action by African states. Member States recognized the need for much clearer follow-up mechanisms, in order to ensure sustained engagement by the AU in the area of small arms. The Commission has been tasked to convene biennial high-level governmental meetings to review progress in the implementation of the UNPoA. The Commission has also been tasked with taking the necessary steps toward the development of an African legally-binding instrument that would prevent, combat and eradicate the illicit trade in SALW. The AU Commission is currently engaged in this process, and is also exploring ways in which to include other producer/trader states into this process. The Peace and Security Council, which has a specific mandate to promote and encourage the implementation of international agreements on arms control and disarmament, is also called upon to remain seized with this issue.

(iii) Implementation

The implementation of the Programme of Action has been patchy: countries have attached uneven importance to the Programme, and some have lacked the capacity to implement the various measures. Although many have established contact points and co-ordination mechanisms, and submitted reports on implementation, it appears that less progress has been made in reviewing, and where appropriate, amending national regulations. A significant number of states still do not have laws or procedures controlling the production and export of small arms, or establishing standards for the management and security of small arms stock-piles. The implementation of the UN Instrument on Tracing Small Arms has been similarly uneven. In 2006, less than a third of UN members have required that all small arms be marked as an integral part of their production process, and very few have provided contact points on the national marking procedures specified under the Instrument.

Within Africa, although there have been some positive developments at national and regional level, much nonetheless remains to be done to implement fully the regional agreements described above. The signature of the Nairobi Protocol was followed in June 2005 by a detailed set of Best Practice Guidelines. These set high common standards, and contained detailed and comprehensive provisions setting out how responsibilities under the Protocol should be translated into practice. The Nairobi Secretariat has been transformed into a Regional Centre on Small Arms mandated to coordinate implementation, national focal points have been established by all countries in the sub-region, and three of the twelve signatory countries have developed and are now implementing national action plans. In West Africa, the establishment of national focal points and the adoption of national strategies is similarly encouraging. In Southern Africa the Southern African Police Chiefs Co-operation Organisation (SARPCCO) is mandated to act as the implementing agency for the SADC Firearms Protocol.

b) Next steps

African Governments and Institutions

(i) Implementing national commitments under UN and sub-regional instruments:

Those governments who have not yet done so should review their national legislation and control mechanisms, and their implementation, in light of their commitments under both UN and sub-regional instruments. Where this is necessary, they should draw up national strategies and detailed plans for translating their commitments into practice, ideally on a harmonised basis;

(ii) Resources and capacity - at national, sub-regional and regional level:

Increased financial resources and human capacity at each of these levels will be essential in order to take forward implementation of commitments. The lead on this clearly rests with governments, and with the management of sub-regional and regional institutions, who should review whether current resource allocations fully reflect the importance of this issue, and undertake an assessment of needs;

(iii) Continental regulatory framework:

The role of the African Union is also clearly critical, given the mandate of its Peace and Security Council. Although the politically binding Bamako Declaration of 2000 sets out an African common position on these issues, there have been significant developments both within the UN system and at sub-regional level since then. The development of a legally binding AU Convention to prevent, combat and eradicate the illicit trade in small arms and light weapons would help to bring action on these issues within a comprehensive and coordinated continental framework.

International Community and Development Partners

(i) Implementing existing UN Programmes and Instruments on Small Arms:

The comprehensive implementation of existing UN Programmes and Instruments on Small Arms should be a priority not just for Africa but also for the wider international community. Governments that have not yet done so should review their national controls and their implementation of these in light of their commitments under the Programme of Action and the Instrument for Tracing Illicit Small Arms, and take steps to ensure their compliance and to remedy any weaknesses in national control systems. In particular, few states have established national controls on small arms brokering as promoted by the Programme of Action. There is also scope for strengthening international co-operation in this area, for instance between police and customs authorities.

(ii) Arms Trade Treaty

The decision by the UN General Assembly to request the Secretary-General to seek the views of Members States on the feasibility and to draft parameters of a legally binding instrument establishing common international standards for the import, export and transfer of conventional arms, as well as to establish a Group of Governmental Experts (GGE) on the issue to commence work in 2008, creates important opportunities for progress on this issue. Taking this work forward would be a major contribution to peace and security in Africa.

(iii) Assistance in capacity-building

Although the lead on building capacity needs to be taken by national governments and by the membership and management of sub-regional and regional institutions, development partners have a key role to play in helping to provide additional resources for this. They should attach higher priority to helping to meet both the financial and technical requirements of both governments and institutions in order to meet their UN commitments, and to take forward sub-regional initiatives.

III. Management of natural resources, and trade in conflict resources

a) Background

(i) The issue

Natural resources are one of Africa's greatest assets. They provide the best opportunity poor but resource-rich countries have to accelerate growth and development, create wealth, and reduce poverty. Instead however, the management/exploitation of natural resources, more often than not, has contributed to instability and conflict in the continent, leading to a situation in which Africa has failed to benefit from its natural resource wealth.

There is a wider need to strengthen the framework for the equitable exploitation of Africa's natural resources in order to achieve these objectives. There are a number of ways in which this can be done, including through the promotion of governance, accountability and social justice, the development of investment codes, banking sector reform, increased transparency, and greater corporate social responsibility on the part of both multi-national and domestic companies. A number of these broader issues are dealt with in the paper on Investment – and clearly bear on the peace and security agenda.

There is also an important link between the management of natural resources, climate change and conflict. Environmental degradation, exacerbated by climate change, increases the pressure on scarce resources in marginal areas of Africa, particularly when coupled with rapid population growth. This increases the potential for conflict, both internally and across borders. This is clearly the case in Darfur, and there are many other examples both within Africa and globally, of conflict related to heightened pressure on scarce land and water resources. Increased climate variability (whether intense rain or prolonged dry periods) can also create economic disruption, and the risk of conflict. This underlines the need both to tackle the issues of climate change identified in the separate paper for this meeting, and the importance of developing regional co-operation in order to reduce the risk of future conflict, for instance over water resources.

This paper focuses more specifically on the issue of trade in 'conflict resources'. This has played an increasingly important role in providing the finance needed to maintain and to prolong armed conflicts. Four of Africa's worst wars of recent years took place in Angola, Sierra Leone, Liberia and the Democratic Republic of Congo (DRC), resulting in around 5 million deaths and the almost complete destruction of infrastructure. In each case, the conflicts were financed by the exploitation of natural resources – diamonds and timber in Sierra Leone and Liberia, and a wide range of mineral resources in DRC. A wide range of actors ranging from governments to multi-national companies to groups linked with organised crime, exported billions of dollars worth of natural resources across the world, directly funding the armed factions engaged in the conflict. Their ability to do this depended on access to international markets. The cost, apart from immense human suffering, was four of the most expensive UN peacekeeping operations of all time: the costs in Sierra Leone totalled US$ 2.8 billion; the costs this year in Liberia will be US$ 745 million; the budget for UN peacekeeping operations in DRC in 2005/6 came to US$ 1.13 billion.

(ii) The Response

The international community has a number of instruments available to tackle the trade in conflict resources, including certification schemes, targeted sanctions against persons, products or regimes, plus voluntary guidelines to multinational enterprises:

- The Kimberley Process Certification Scheme (KPCS) is a targeted approach, set up to prevent the trade in conflict diamonds. The Scheme requires governments to certify the origin of shipments of rough diamonds to ensure that they are not from conflict zones. Countries that participate must pass legislation to enforce the Kimberley Process, and set up control systems for the import and export of rough diamonds. To take a current example, Liberia has just opened its first diamond certification office, following the lifting of a UN embargo imposed in 2001 at the height of the civil war. A review of the Scheme in 2006 found that although the Scheme was working, there were still a number of issues to be resolved to ensure that it is fully effective – including the introduction of strong internal controls to ensure traceability of diamonds from mine to export, and of systems to check industry compliance, plus the development of a suspension mechanism for participants who are not complying with this Scheme. Given the challenges faced in particular by countries emerging from conflict, international support will be required for building the capacity to implement the scheme. Furthermore, not all resources are amenable to such certification schemes, as tracing of origin is not always possible.

- The case of Liberia demonstrates both some of the challenges involved in the use of sanctions against products, but also their potential impact. The UN imposed sanctions on diamond exports from Liberia in 2001. However, the then-Liberian regime shifted its focus to timber, and it took a further two years before sanctions on timber were then imposed by the Security Council. These turned out to be highly effective: they led to the cutting off of funding sources, and an end to the conflict.

- There are, in addition, OECD Guidelines for Multinational Enterprises, which provide companies with a set of recommendations on good corporate behaviour. The National Contact Points established under these Guidelines provide an avenue for referral for findings from UN expert panels. The OECD has now also produced a '*Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones*' in order to raise awareness of the risks in operating in weak governance zones and to offer companies some guidelines. This OECD initiative was given backing by the G8 in its 2005 Summit, and the OECD Council has also recommended the widest possible dissemination and use of this tool.

The AU Peace and Security Architecture (APSA) calls for the generation of minimum standards for the exploitation and management of natural resources in areas affected by conflict. This issue was prioritized in recognition of the role that the continent's resources have played in fuelling and prolonging conflicts, as well as their potential contribution to reconstruction and sustainable development. It has been recognized that rather than generating standards that would apply only to conflict areas, there is also a case for developing a common position or minimum standards for the entire continent, to ensure a level playing field, improve the leverage of individual countries negotiating with large multi-national corporations or trading partners, and ensure that conflict from one country is not displaced to its neighbours.

The International Conference on the Great Lakes Region (ICGLR) – which brings together eleven countries in the Great Lakes region in recognition of that fact that regional conflict requires regional solutions -- has sought to address the role of natural resources in conflict through development of a regional Protocol against the illegal exploitation of natural resources, which will be the first of its kind in Africa.

b) Next steps

African Governments/the AU

- Accelerate the continental process of generating minimum standards for natural resource governance. This should build upon processes already under way in some member states and sub-regions, and should seek to incorporate existing government standards and monitoring/review mechanisms such as the APRM;

- Develop further regional protocols on the illegal exploitation of natural resources, following the ICGLR precedent above;

- Develop the necessary monitoring and enforcement capacity of the relevant institutions (including police, border control and customs) in order to implement such Protocols. Review national legislation to ensure it is aligned to international and regional commitments.

International Community

(i) Agreement in the UN on a definition of 'conflict resources'

Although the Kimberley Process was established very quickly, it nonetheless took two years and several UN resolutions – and it would be a major challenge to try to create the equivalent of this for every category of resources which might be used to fund conflict. A more effective solution would be for the UN to agree a definition of conflict resources which would remove the need for separate schemes on individual commodities, and help the international community to differentiate between natural resources being traded legitimately, and natural resources being traded in order to fund conflict. International measures to stop the trade in 'conflict resources' could then be put in place – as soon as there was convincing evidence that the revenues were being diverted towards funding conflict. The definition could be incorporated into either a UN Security Council or a General Assembly resolution.

(ii) Tackling Impunity

Alongside any strengthened mechanisms to stop the trade in conflict resources, it is clearly also important to strengthen mechanisms to tackle the impunity of those engaged in such trade. Part of the response needs to be strengthening systems of accountability, control and justice at national level. But given that these resources are traded internationally, there needs to be an international response too. The role of the UN Security Council is central. Alongside its authority to impose sanctions, it also has the authority to refer cases to the International Criminal Court (ICC) – which in turn has jurisdiction over the most serious crimes of concern to the international community as whole: genocide, crimes against humanity and war crimes. In situations where this is appropriate, the Security Council should refer cases involving the trade in conflict resources to the ICC;

(iii) Strengthened mechanisms for corporate social responsibility

A third possibility would be to take action to ensure that the recently-endorsed OECD guidance for companies operating in weak governance zones (see paragraph 55 above) is effectively implemented, including the establishment of advocacy and monitoring arrangements. Combined with a UN definition of conflict resources, this would help to provide much clearer guidance to companies trading, or considering trading in a conflict zone. The scope for incorporating these principles in the OECD Guidelines on Multinational Enterprises could also be explored. Although the guidelines are voluntary, it would also be important for governments to demonstrate the importance they attach to companies adhering to these, by drawing up practical measures to ensure their implementation.

IV. Review and evaluation

There is a strong case for a systematic, comprehensive and joint review of commitments made, action taken, progress achieved and lessons learned in the area of Peace and Security. In this context, it is worth noting that there have been many developments both in Africa and internationally since, for instance, the Kananaskis Action Plan adopted by the G8 in 2002, which is itself of course only one part of a much larger picture. One issue to be considered during such a review could be whether it would be useful to have a more up-to-date and more broadly shared Action Plan. Another issue could be whether it would be useful to have more systematic arrangements for coordinating action, monitoring progress and sharing lessons learned. None of this should, of course, imply a pause either on implementation of existing commitments, or the agreement of new commitments where these are appropriate.

Gender and Economic Empowerment in Africa

This paper was prepared jointly by the NEPAD Secretariat and the APF Support Unit for the 8th meeting of the Africa Partnership Forum held on 22-23 May 2007.

It was written by Litha Ogana and Doreen Kibuka-Musoke under the leadership of Olukorede Willoughby and David Batt and with editing support from Raundi Halvorson-Quevedo.

A. Gender:
Key Political Messages and Action Points

It is time to deliver for women and girls. Africa's growth and development agenda can only succeed if the continent is able to draw on all its resources and talents, and if women are able to participate fully in economic, social and political life. This will require intensified efforts to eliminate discrimination and promote equal rights. The strong commitment which has been demonstrated by African governments needs to be complemented by strong support from the wider international community, within the framework of a clear allocation of responsibilities, and the clear mapping out of specific steps and measures.

1. **The majority of poor women in Africa live in rural areas**. They are Africa's major agricultural producers, and are active in trade and the informal economy, but they continue to be hampered by lack of rights, resources and economic opportunities. **We call for** accelerated action to expand the **land and property rights** of women through support for the joint Land Policy Initiative of the African Union, African Development Bank and UN Economic Commission for Africa; and for new initiatives to facilitate their access to and control over productive resources and **agricultural inputs** such as seeds and fertiliser, and to reduce their burdens by increasing access to **water and sanitation**.

2. **Women in both rural and urban areas need access to and control over financial services -** including banking, micro-credit and insurance, management training, and business development and support services, in order to enable them to develop their full economic potential, for instance by establishing small and medium enterprises, and moving into product development. **We call for** a strong focus on enhancing opportunities for women, in any new initiative(s) to increase access to **financing and banking facilities**. We also agree to cooperate in order to integrate gender issues into overall **national development strategies** and support from development partners.

3. There needs to be **capacity development** to promote the full and equal participation of women in decision making at all levels including the community and district level and at the highest political level. We note that capacity development is an important element in the World Bank's Gender Action Plan. **We call for** sustained and intensified efforts to ensure the **full implementation** of this plan over 2007 – 2010, and for the full implementation of the "Call for Action" agreed at the Conference on Women's Economic Empowerment in Berlin in February 2007.

4. In addition to these measures, there also needs to be a more active and effective global response to the scourge of **HIV/AIDS**, and in particular its effect on women. **We call for** special attention to this issue and the conclusion of the eagerly awaited medical trials on microbicides, which are the only female controlled method that can protect millions of women, particularly those in Africa, from HIV/AIDS.

5. **African governments have made important commitments** to gender equality in the 'Solemn Declaration on Gender Equality in Africa' and the 'Protocol to the African Charter on the Rights of Women in Africa'. We welcome the progress which has already been made in the signature and ratification of this Protocol, and **we encourage** its rapid implementation.

6. It is important that there should be **clear and specific measures and indicators of progress**, in order to enable both governments and civil society to see where progress has been made, and where more efforts are needed. **We fully support** the current work to develop **specific indicators on economic empowerment** within the framework of the Millennium Development Goals (and specifically to underpin MDG3 on gender equality and empowerment).

B. Gender and Economic Empowerment in Africa

Introduction

The African continent is well endowed with abundant resources ranging from natural resources, cultural wealth and human resources. However, its peoples remain poor.[1] Attempts to confront this challenge require transformative thinking and leadership. Since the dawn of the new millennium, African leaders have been charting a new future for the continent with the birth of the New Partnership For Africa's Development (NEPAD) and the transformation of the Organisation of African Unity (OAU) to the African Union (AU). Despite the enormous internal and external challenges that the continent continues to face, positive change is now being witnessed – albeit slowly.

Current indicators show that Africa is on its way to economic and political recovery as demonstrated by increasing average growth rates, the restoration of peace and an increase in the number of democratic elections. In addition, African states have demonstrated their commitment to good governance through the African Peer Review Mechanism (APRM) – of which 26 countries have acceded to date. Political and economic governance are fundamental preconditions for development of the continent. Given the abundance of Africa's natural resources, systems of governance determine how natural resources are (mis)used in the development process of resource based-economies. Some of the key challenges that remain for the continent, however, are the harnessing of Africa's human resources to fight poverty and hunger; bridging the education gap; winning the war against HIV/AIDS, malaria and tuberculosis; and reversing the brain drain. These challenges cannot be overcome without unlocking the potential and utilising the unused resources and capacity that lie in the hands of African women.

However, most of the poorest people in Africa are women. Part of what makes them poor, in Africa as well as globally, are social inequalities and the lack of opportunities they face purely because of their gender. The devastating effects of poverty, discrimination and lack of opportunity affect women in multiple ways, not just their income levels. Maternal mortality rates continue to be extremely high. Three-quarters of all Africans between the ages of 15 and 24 who are HIV-positive are women, and women continue to own less than 1% of the continent's landmass. Although progress has been made on the education of girls, this still lags behind the education of boys - at all levels. Women suffer from violence during armed conflicts - as well as from violence in the home. Women have fewer economic rights, and lower access to economic opportunities and resources, including land and credit facilities. They are vastly under-represented in many occupations, especially in professions such as science and technology. Women, whether formally employed or not, also shoulder the burden of unpaid activities arising from low levels of access to clean water and energy sources.

[1] "Africa is rich, it is its people who are poor", a statement by Professor Wangari Maathai 2004 Nobel Peace Prize Laureate.

This paper focuses specifically on the economic empowerment of women, which is key to achieving faster growth, development and poverty reduction. Since the Millennium Declaration in 2000, both African governments and development partners have focussed very much on issues of education and health, and specific indicators on these issues underpin the relevant Millennium Development Goal (MDG3). Africa, and the international community, have started to explore ways to boost women's empowerment as well. But these issues now need more urgent attention.

The broad framework of the commitments made by both Africa and the wider international community. The adoption of the Protocol on the Rights of Women in Africa in 2003 was a landmark achievement by African governments. But although some progress has been made in ratifying the Protocol, some 60% of African states have still to do so. Accelerating the process of ratification and the development of national strategies for the implementation of its provisions would be a major step forward. The adoption of the 'Solemn Declaration on Gender Equality in Africa' (SDGEA) is a similarly impressive achievement. The Declaration provides for annual reports on progress. Finding an opportunity for discussion on these reports would underline the importance which African leaders attach to following up the Declaration. There is already international discussion on ways in which the indicators underpinning MDG3 can be developed to incorporate economic empowerment, in order to provide incentives to governments and ways of measuring progress. The international community should give priority to this. Section 3 refers.

Land and property rights for women are far less well established than those for men, and require urgent attention. The current barriers to women's access to and control of land need to be addressed through policies which take women's rights and needs into account. This paper proposes two key action points for ***African governments*** - the establishment of national commissions to review property and land distribution issues, and the introduction and implementation of legislation wherever necessary in order to fully establish equal land and property rights for women, and to translate these into practice. Although the lead on these issues needs to be taken by African governments, ***development partners*** have an important role to play in supporting these government-led initiatives. Section 4A refers.

Good economic governance is fundament for the continents growth and development and it is important to ensure that resources are utilised in ways that help to tackle gender inequality and reduce the gender gap. Engendering the budget is a holistic and strategic process that entails mainstreaming a gender equality perspective into public finance. By tracking how money is spent, gender-budgeting helps to increase accountability and transparency and, thus, good economic governance overall. There are again action points here for both African governments and development partners. *African governments* should ensure that their national economic strategies (PRSs or national development plans) fully reflect their gender objectives, and that their national budgets are planned, approved, implemented, monitored and audited in a gender-sensitive way. Section 4B refers.

Development partners should link new aid modalities and the new aid architecture such as budget support and sector-wide approaches to good economic governance in order to help reinforce the efforts of African governments to build gender both into national economic strategies, and to national budget processes. The development community should also devise ways to ensure that the Paris Declaration incorporates mechanisms for the promotion of gender equality in development co-operation. The international community collectively should also review the Monterrey Consensus, which currently includes very limited commitments to gender equality. Section 4C refers.

African women have not been able to benefit from investment and the expansion of trade in agricultural products due to the obstacles faced in terms of limited access to productive resources (land, credit, transport, extension services etc). This paper looks specifically at investment and trade policies in the context of the overarching theme of the meeting: *'Investment for Growth and Development'.* Women produce up to 80% of basic food stuffs – but a survey of credit schemes in 5 African countries found that they received less than 10% of the credit given to male small-holders. It has been calculated that agricultural productivity could increase by up to 20% if women's access to such resources as land, seed and fertiliser were equal to men's. Moreover, whilst foreign investment in labour-intensive industries has resulted in some improvement in women's income, the longer term trajectory of women's wages is less promising. Again the paper identifies critical action points for both African governments and development partners. ***African governments*** should take specific initiatives to target credit lines to support African women entrepreneurs particularly at the micro-enterprise level, and to promote investment in sectors with a significant female workforce. ***Development partners*** should support these African-led initiatives, for instance through the provision of financial support for micro-finance projects designed to benefit women through the provision of loans and other financial services. Section 4D refers.

Table 1. Matrix of Key Policy Areas and Action Points on Gender and Economic Empowerment

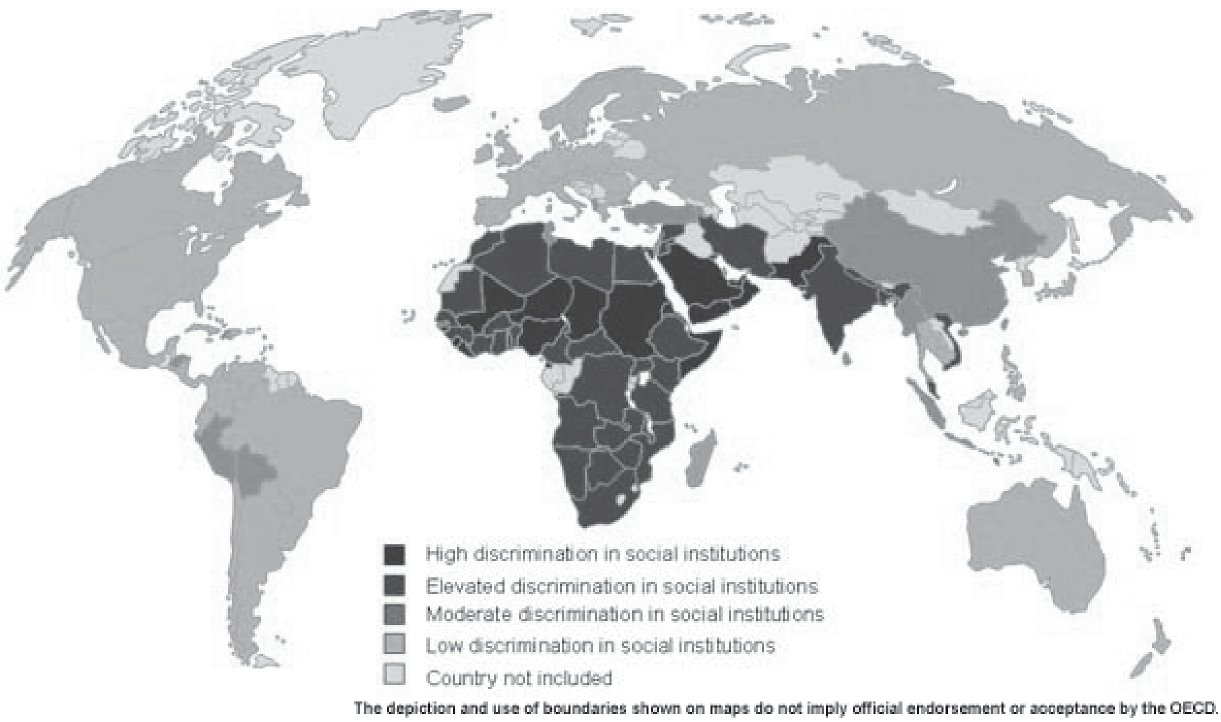
KEY POLICY AREAS	KEY ACTION POINTS	
	African Governments	**Development Partners**
Overarching Issues	The increased ratification of the Protocol on the Rights of Women in Africa; all Governments and the preparation of strategies for implementation of its provisions; Discussion at future AU Summits on progress in implementing the Solemn Declaration on Gender Equality in Africa.	Support the preparation of strategies for the implementation of the Protocol and the SDGEA Support for the development of specific indicators on economic empowerment under MDG3, in order to create incentives for action by both Africa and the international community, and to measure progress.
Land and Property Rights	Establish legal and non-legal infrastructure through land reforms, national mechanisms and community tribunals to monitor the enforcement of pro-women laws, policies and practices; Set up technical and financial schemes to support women land-buyers, owners and producers; Set up a national commission to review property and land adjudication inheritance, distribution and redistribution Mobilise resources for the economic development of land owned by women.	Commit financial resources to support mechanisms and structures that implement and promote land reform initiatives. Support monitoring and evaluation of land reform processes to enhance women's access and control of land; Support initiatives that provide financial support to the economic development of land owned by women.
Economic Governance	Establish gender-responsive public financial management systems and strengthen existing gender budget initiatives. Recognize satellite accounting procedures to capture, value and remunerate women's work including value in the care economy.	Encourage gender-responsive budgeting in budget support; Revive the global efforts to recognize satellite accounts and provide resources to value and remunerate
Aid Modalities	Integrate gender components in the planning and coordination of line ministries to ensure the proper allocation of resources; Include specific objectives and targets in PRSs, and set budgetary allocations to promote gender equality.	Promote the Paris Declaration and the Monterrey Consensus to include a focus on results and development policy goals for women and gender equality; Support the development of PRSs to ensure that they include specific objectives and targets and budgetary allocations set to promote gender equality; Encourage specific targets for gender in Sector-wide approaches (SWAps) and establish budget support mechanisms that encourage the way in which recipient countries allocate money towards the promotion of gender equality;
Trade and Investment	Allocation of credit lines to support African women entrepreneurs; Target support to women managing small-micro enterprises to enable then to expand and diversify outputs. Increase capacity for value-addition, diversification and product differentiation specifically in the agro-processing sector through the use of appropriate technologies, and enhance marketing through ICTs.	Promote investments in manufacturing and open markets particularly for products with important female labour content; Support the implementation of projects linked to gender equality, trade outcomes and growth; Subsidise women's associations and provide free training to women managing associations; Support women employed in the agriculture sector to enhance their productive capacity. Create and launch an African Women's Investment Fund

I. Overview of the status of gender and economic empowerment

a) The gender gap as a global problem

Even in light of heightened awareness of gender issues, it is a disturbing reality that no country in the world has yet managed to eliminate the gender gap, despite significant increases in female representation (WEF, 2005).[2] Gender disparities still exist in countries without obvious male-domination and Violence Against Women (VAW), of all kinds, is still routine worldwide and often condoned -- even in highly developed societies. Even in counties where basic gender equality appears to have been achieved, the battlefront has shifted to removing the more intangible discrimination against working women. In the United States, for example, 49 % of women in managerial positions are childless, compared with only 19% of men. Globally, women earn less than 78 % of the wages that men earn for the same work and still hold only 15.6 % of parliamentary seats.

Figure 1. Map Showing Inequalities in Social Institutions around the World



Source: OECD, GID

[2] Countries that have succeeded best in narrowing the gender gap are the Nordic countries, with Sweden standing out as the most advanced in the world. These are followed by New Zealand, Canada, UK, Germany, Australia (World Economic Forum, 2005).

Between 20-50 % of women worldwide experience domestic violence during marriage. Reports from France, for example, indicate that 95% of its victims of violence are women – 51% at the hands of their husbands (ibid). Similarly in the developing world, gender inequality manifests itself through forced marriage - which is still hugely prevalent on the Asian sub-continent – and through high levels of maternal mortality.[3] In several countries, testing for genetic defects is still used today to determine the sex of an unborn child for the purpose of aborting females only.

Figure 1 is a map based on the OECD Development Centre Gender, Institutions and Development Database (GID-DB), which shows inequalities in social institutions in the family code, property rights, physical integrity and civil liberties around the world. As indicated by the dark colours, inequalities are particularly pronounced in sub-Saharan Africa, South Asia and the Middle-East and North Africa.[4] A wide gender gap exists in economic, political and social arenas between men and women due to the existence of norms and values in society, firmly anchored in social-cultural contexts that determine gender roles and responsibilities. The gender differentials aligned to these roles and responsibilities are patriarchal by nature and determine the power custodians in society, while at the same time they are driven and fuelled by customs, beliefs and practices that have resulted in age-old roles, practices and biases. Some of these practices continue to thrive and widen the gender gap between men and women all over the world.

Globalisation, or the liberalisation of trade, investment and financial services, and a strong emphasis on privatisation is clearly exacerbating inequality. Studies of globalisation that emphasise these trends tend to neglect the role of women in these processes, yet the increasingly mobile nature of capital (as production processes spread in order to take advantage of the low cost of labour) and the increasing mobility of labour across state borders cannot ignore the fact that these processes involve vast numbers of women. A reliance on low-waged female labour, for example, is a key feature of export-oriented industrialisation and high levels of inequality in globalised production lines is directly linked to the deregulation of labour markets that has accompanied the global shift towards a more liberal market economy. It is therefore clear that despite that fact that women are playing a major part in globalised networks of production and labour markets, they have not necessarily benefited from this engagement. Women continue to face major challenges in accessing decent work both in the formal and informal sector. Women globally own less than 3% of the world's land and have little access to productive resources.

A UNDP report showed that the world's richest 225 individuals (mostly men) now have a combined wealth equal to the annual income of the poorest 47% of the world's people. If more than 70% of the world's poorest people are women - as global inequality worsens, gender equality worsens with it. Alternatives exist for the responsible management of economies in a globally integrated context, alternatives that secure economic stability and

[3] A pregnant woman in Africa is still 180 times more likely to die of pregnancy complications than in Western Europe.

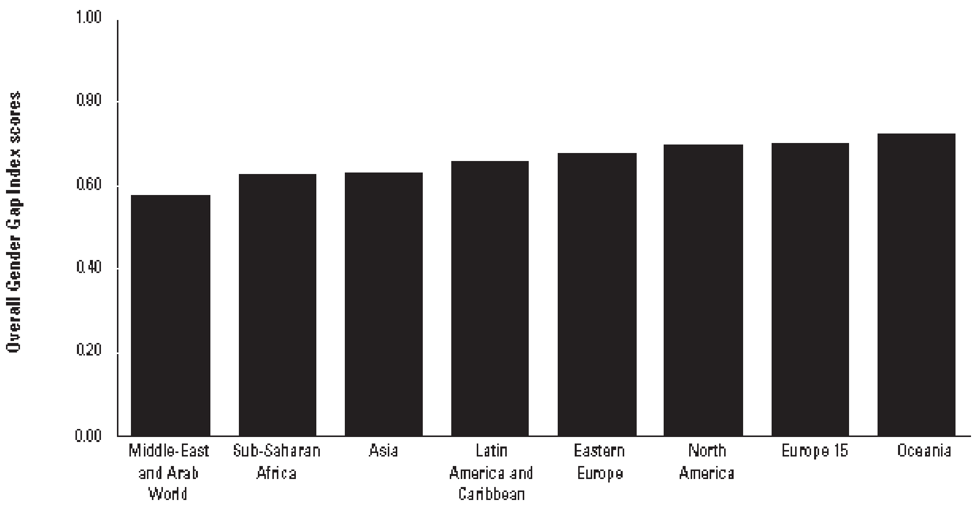
[4] The new OECD GID provides information on social and legal institutions that is not captured by traditional types of quantitative data. It combines information on the norms, laws and customs and traditions that have a significant impact in explaining gender disparities. Variables include a broad set of factors, ranging from early marriage, polygamy and parental authority to inheritance, freedom of movement and the existence of legislation punishing acts of violence against women. The indicator covers 162 countries.

growth without entrenching existing gender inequalities. The more difficult challenge is to marshall the political will to create the policy space necessary to move the global economy into a development trajectory that supports poverty reduction and gender equity.

b) The gender gap in Africa

In Africa, the gender gap is even wider and the situation is more complex due to the cultural and traditional context which is anchored in beliefs, norms and practices which breed discrimination and feminised poverty. There is growing evidence that the number of women in Africa living in poverty has increased disproportionately to that of men. Women's participation in the market economy has increased, especially in the informal sector, however at the same time women's domestic workloads have not declined. Women in Africa continue to be primarily responsible for such activities as the care of children and the elderly members of the household, cooking and cleaning, fetching water and firewood and managing the household in general. This is especially true for poor women who do not have the resources to hire additional labour to take over some of the household responsibilities when they engage in market activities. HIV/AIDS is also worsening the situation as women take on the burden of shifting care for AIDS patients from the hospital to the home without shifting health budget allocations from hospital care to home-based care.

Figure 2. Regional Performance on the Gender Gap Index 2006

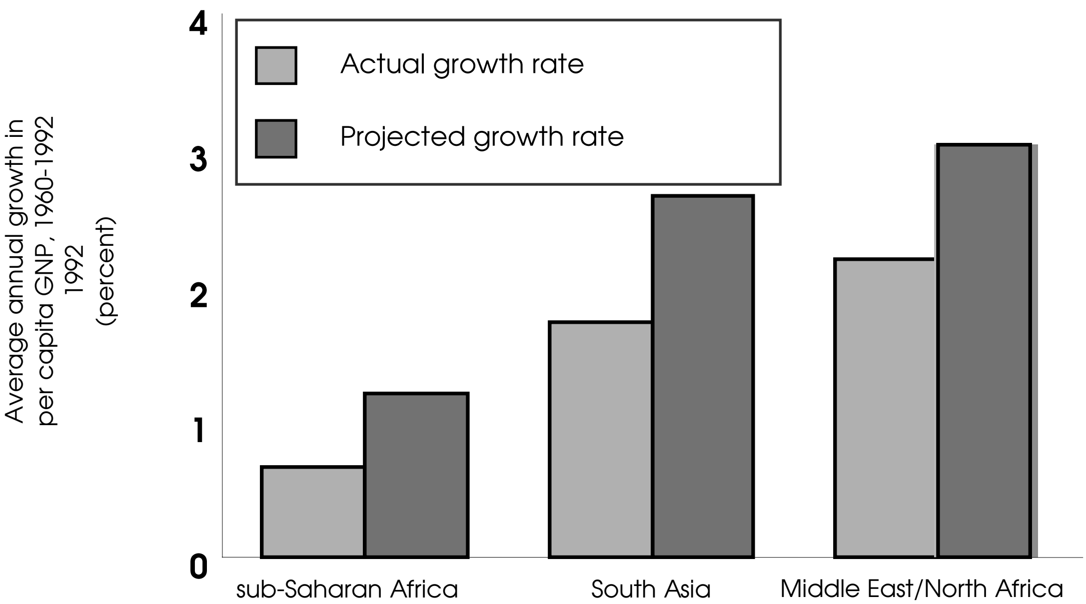


Source: The World Economic Forum (WEF) Global Gender Gap Report (2006)

Figure 2 shows regional performance on the 2006 Gender Gap Index which examines the gap between men and women in four fundamental categories: economic participation and opportunity, educational attainment, health and survival, and political empowerment. It reveals that sub-Saharan Africa has closed a little over 60% of its gender gap, which means that women have approximately 60% of the resources and opportunities available to men. Although African women participate in all sectors of the economy, the rate of their participation in the total non-agricultural labour force remains below that of men.[5] Women are predominantly employed in the agricultural sector and it is estimated that women account for 60-80% of the agricultural labour force and are responsible for 70-80% of food production in Africa. Women's employment in the industrial sector remains low across the continent with some exceptions in the export-oriented industries such as textiles and garments. Female participation in the services sector tends to be concentrated in occupations like nursing, teaching and also non-technical jobs such as secretarial services. Women in Africa are still vastly under-represented in many occupations, especially in the scientific and technological fields.

As noted above, the fastest growing source of employment for women in Africa, especially in sub-Saharan Africa, is in the informal sector where women engage in a wide range of activities, particularly trading. This has emerged as an important strategy for women to contribute to family income at a time when formal labour markets are growing slowly. However, for the most part, the informal sector suffers from a lack of systemic and regular support in the form of official policies and resources.

Figure 3. Closing the gender gap in schools boosts economic growth



Source: "Engendering Development" (PRR) 2001 in WDR 2000/01, "Attacking Poverty"

Relative to men, women tend to have lower access to land, credit facilities and education and training facilities. Even in the agricultural sector, where women tend to predominate, credit and land ownership has historically been directed to the male head of the household to the detriment of women and, indeed, to the detriment of agricultural development in Africa. HIV/AIDS will cause many millions of African women to be widowed, and widowed at a younger age than would have been the cause in its absence. Gender inequality in property

[5] Data from the ILO shows that women's share of the adult labour force ranges from 21 to 50 %. The lowest rates are in North Africa and the highest participation rates are in sub-Saharan Africa at 45-50 %.

and inheritance laws in Africa poses a grave threat to women in these circumstances. The devastating effects of property rights violations – including poverty, disease, violence, and homelessness – are only magnified and made more lethal for women who face the stigma of having been widowed by AIDS or who are themselves HIV/AIDS positive.

Education is the key to empowerment, yet Africa has the largest gender gap in educational attainment, both at the level of enrolment as well as attainment.[6] As illustrated by GID-DB, primary education of females is at a low rate of 67%[7]. Among females above the age of 15, only 51% are able to read and write compared to 67.1% of men. Many African countries have not been successful in reducing gender gaps in education as stipulated in the education-focused target of MDG 3. In fact, of the 36 countries which have missed the MDG 3 target (gender equality in primary and secondary enrolment rates), the majority are from Africa. As Figure 3 shows, failing to reach this target entails significant growth costs as well as delays in attaining other important MDGs.

Overall, therefore, the African situation appears to be large gender gaps in education and low overall female educational achievements, considerable gender gaps in formal sector employment, and a predominance of women in the informal and agricultural sectors where they face considerable gender-based differences in access to and control of land, modern inputs, time and other productive assets.

II. Situating women in the growth agenda in Africa: Women's economic empowerment – an entry point

Gender is a critical economic issue for Africa. While much remains to be done to show the particular ways in which gender gaps undermine Africa's growth potential, looking at such issues through a gender lens is an essential step in identifying how policy can be shaped in a way that is explicitly gender-inclusive and beneficial to growth and the poor. It is evident that growth rates can significantly contribute to the reduction in the proportion of poor people in general, as demonstrated by countries with higher income per capita which have indeed experienced a major decline in the number of people living below one US $ 1 per day.

The World Bank study 'Can Africa Claim the 21st Century?' made the argument that Africa has enormous unexploited potential. Africa has hidden growth reserves in its people, but especially the potential of women, who provide more than half the region's labour but lack equal access to education and factors of production. The study concludes that gender equality can be a potent force for accelerated poverty reduction in Africa.

Given that more than half the world's poorest are women and that the majority of poor people on the African continent are women, situating women in the growth agenda in Africa is fundamental to poverty reduction. Economic empowerment of women is not only crucial to the achievement of gender equality but it is also crucial in achieving pro-poor economic

[6] Important exceptions are countries in Southern Africa as well as Uganda in East Africa, where education has expanded rapidly and gender gaps have fallen considerably.

[7] The averages mentioned in this text are unweighted. Weighting can somewhat change the values, i.e. female primary education enrolment in Sub-Saharan Africa would be reduced from 67% to 62%.

growth and the eradication of poverty. There is extensive microeconomic analysis of the ways in which gender inequality limits productivity, output and growth[8]. Gender differences in access to assets limits the options of women; gender differences in labour remuneration leads to conflicts and affects labour allocation at the household level; gender differences in labour productivity limits economic efficiency and output.

Reduced education and employment opportunities for women in Africa serve to reduce annual per capita growth by 0.8%. This is significant, as a boost of 0.8 percentage points per year would have in effect doubled economic growth over the last 30 years (Blackden and Bhanu, 1999). The size of these effects is considerable and gives credence to the argument that one important element in Africa's low growth may be its high gender inequality and hence the need to situate the achievement of the MDGs at the centre of the growth argument. While this is far from the overriding factor, it is an important constituent element in accounting for Africa's poor growth performance.

Box 1. Gender and Growth: Africa's Missed Potential

African women work far longer hours than African men. On average, their workdays may be 50% longer. Their work is closely integrated with household production systems. Women are especially prominent in agriculture, particularly in processing food crops, and in providing water and firewood, although men predominate in agriculture in much of the Sahel. Income earned by women is more likely to be used productively – for children's food, clothing, and education.

Women farmers receive only 1% of total credit to agriculture. Women are less likely to control the product of their labour than men, reducing their incentives to pursue productive, incoming-earning opportunities. And between 1960 and 1990, average schooling for African women increased by only 1.2 years, the lowest gain of any region.

Some cross-country studies suggest that if African women were given equal access to education and productive factors, growth rates could be as much as 0.8 percentage points higher. In addition, patterns of capital formation tend to be biased against investments such as wells and fuel-efficient stoves, with the potential to unlock more female time for high-productivity activities and education.

Thus Africa is losing out on the productive potential of more than half its effective workforce. So, measures to increase gender equality in Africa, in addition to their social and distributional implications, have considerable potential to accelerate growth. What is standing in the way? Longstanding traditions and power. Women's political participation is still low – only 6 percent in national legislatures and 2 percent in cabinets. Half the national cabinets have no women.

Source: Blackden and Bhanu, 1999

Women's economic empowerment is central to the achievement of gender equality and the implementation of international commitments that range from the International Declaration on Human Rights to the MDGs. Increased economic power for women means greater environmental sustainability and the reduction of HIV/AIDS infection rates. Women who control their own income tend to have fewer children: fertility rates are inversely related to national income growth. Moreover, men and women tend to spend income under their control differently with important micro and macro effects. Women tend to hold less income for themselves and devote more to their children's human capital (nutrition, health and education) and thereby indirectly to their nation's income growth. Women are also

[8] Recent analysis of these issues suggest that a careful use of the methodology and interpretation of its results is needed – as noted in the World Bank Global Monitoring Report 2007.

generally more willing than male counterparts to send daughters as well as sons to school. The benefit of women's empowerment is therefore enormously positive and affects the whole of society.

Despite the evidence, a recent World Economic Forum (WEF) study highlighted that no country in the world has yet managed to eliminate the gap between man and women's economic participation. Even countries that achieved high scores in the WEF's empowerment index generally performed better in women's educational attainment, health and well-being and political empowerment rather than in women's economic participation and opportunities. While the former are all essential components of women's overall empowerment, they are only pieces of a puzzle that must include economic empowerment for the picture to be complete.

Low investment in women is not an efficient economic choice. One sure way of situating women in the growth agenda is to ensure that their contribution to economic growth and development is captured and economically rewarded. By leveraging available resources and investing in women's empowerment it is possible to change women's lives for the better. African women have always been in the forefront of empowering themselves and their efforts to improve their family welfare and participate in economic activity are well documented. If they were able to access finances to invest in business ventures, access credit and markets, expand their businesses, diversify their products, undertake value addition and stabilize their business activities during times of shock, they would be better placed to contribute effectively to sustained economic growth and development.

III. Key commitments on gender equality and empowerment

The following African and international commitments provide the framework and mandate for the design and implementation of gender issues in development policy:

a) G8 /OECD/UN/International community commitments and declarations

CEDAW represents a milestone on the road to gender equality and empowerment of women. The most important and comprehensive international treaty promoting women's rights is the Convention on the Elimination of All Forms of Discrimination (CEDAW, 1979) and complemented in 2000 by the Optional Protocol which entered into force on 22nd December 2000. It represents a milestone on the road to gender equality and empowerment of women. By accepting the Convention, States commit themselves to undertake a series of measures to end discrimination against women in all forms, including to incorporate the principle of equality of men and women in their legal system, abolish all discriminatory laws and adopt appropriate ones prohibiting discrimination against women; to establish tribunals and other public institutions to ensure the effective protection of women against discrimination; and to ensure elimination of all acts of discrimination against women by persons, organizations or enterprises. Countries that have ratified or acceded to the Convention are legally bound to put its provisions into practice. They are also committed to submit national reports, at least every four years, on measures they have taken to comply with their treaty obligations.

MDG 3 reaffirms a commitment to gender equality and empowerment. In September 2000, world leaders agreed upon the Millennium Declaration which distils the key goals and targets agreed to at international conferences and world summits during the 1990s. Drawing on the Declaration, the UN System, World Bank and the OECD drew up a set of eight MDGs with associated targets and indicators. By the year 2015, all 191 United Nations Member States have pledged to meet the MDGs. MDG 3 on gender equality and the empowerment of women reaffirms a commitment to gender equality and empowerment. It specifically calls for the elimination of gender disparity in primary and secondary schools. Indicators of achievement of this goal are the ratio of girls to boys in primary and secondary school; share of women in wage employment in the non-agricultural sector; and the proportion of seats held by women in national parliaments.

The Beijing Platform for Action (BPFA) shows a commitment to promote an active visible policy of gender mainstreaming in all the policies and programmes of governments. The Fourth World Conference on Women, held in Beijing in September 1995, culminated with the adoption of the BPFA. The Declaration secured the commitment of governments to work towards implementing the strategies agreed on in Nairobi in 1985, and to mobilize resources to achieve the goals set in the platform. The most far-reaching commitment of the BPFA was the commitment to promote an active visible policy of gender mainstreaming in all the policies and programmes of Governments and other actors, including the UN system. The mainstreaming of gender was advocated in each of the 12 critical areas of concern including all those that support the efforts and needs of women in poverty and the economic empowerment of women.[9] The BPFA called upon governments to exercise political will in achieving legal reforms and policy changes, support and initiate capacity-building programmes, set up mechanisms for monitoring and accountability, set up co-operative or partnership relations between social sectors, and create programmes to support women suffering from discrimination.

The ICPD was the first to make the linkage between gender equality and women's health and education. The International Conference on Population and Development (ICPD) was a ground-breaking conference for gender equality. Held in Cairo, Egypt in September 1994, the ICPD was the first to make a case on the linkage between gender equality and women's health and education particularly reproductive health, and was successful in situating the gender equality issues in the health framework. The ICPD, the third population conference after Bucharest (1979) and Mexico City (1984) was a landmark conference in many ways but particularly in introducing gender equality as a key developmental variable and also shifting focus from a fertility control approach to a reproductive health approach, which called for comprehensive interventions for women's reproductive health needs.

G8 Leaders have committed themselves to support African efforts to promote gender equality and the empowerment of women. At Gleneagles in June 2005, G8 leaders agreed to call on African Governments to implement the African Charter on Human and People's rights and its protocols in order to encourage respect for the rights of ethnic minorities, women and children and also to support youth employment for both women and men in Africa. At Kananaskis in 2002, G8 leaders adopted the G8 Africa Action Plan as a

[9] The 12 critical areas of concern are poverty, education, health, violence, armed conflict, economic disparity, power sharing, institutions, human rights, mass media, environment and the girl child.

framework for action in support of the NEPAD and committed themselves to support African efforts to promote gender equality and the empowerment of women by:

- working with African countries to promote property and resource rights;

- supporting the mainstreaming of gender issues into all agricultural and related policy together with targeted measures to ensure the rights of women for equal access to technology, technical support, land rights and credit;

- supporting African initiatives aimed at fostering efficient and sustainable regional financial markets and domestic savings and financing structures, including micro-credit schemes – while giving particular attention to seeing that credit and business support services meet the needs of poor women and men;

- supporting efforts to ensure equal access to education by women and girls by providing scholarships and other educational support for women and girls and supporting African efforts to break down social, cultural and other barriers to equal access by women and girls to educational opportunities, and;

- supporting African efforts to achieve equal participation of African women in all aspects of the NEPAD process and in fulfilling the NEPAD objectives; and supporting the application of gender mainstreaming in all policies and programmes.

There is considerable congruence between the Monterrey Consensus and Paris Declaration commitments on financing for development and gender equality objectives and strategies. The Monterrey Agreements on financing development were agreed upon in March 2002. The agreements aim to confront the challenges of financing for development required to achieve internationally agreed-upon development goals, including the MDGs. Some of the key actions of the Monterrey Consensus made specific reference to gender equality and empowerment.[10] This gender dimension represents a commitment to developing financial mechanisms that facilitate outcomes that are in line with overall development goals including gender equality.

The Paris Declaration on Aid Effectiveness was developed as a follow-up to the Monterrey Agreements and the G8 Summits. It establishes global commitments for donor and partner countries to support more effective aid in context of significant scaling up of aid. As noted by Gaynor (2006), in Paragraph 42 of the Declaration, there is reference to gender equality and objectives through its ownership, alignment, harmonisation, managing for results and mutual accountability principles. In terms of alignment, for example, Gaynor notes that "donors must acknowledge and use mutual commitments to gender equality and international instruments such as the MDGs and CEDAW in policy dialogue to align with, strengthen and support national commitments to gender equality and women's empowerment, and must strengthen capacity for co-ordinated support to gender equality and women's empowerment". There is, therefore, considerable, congruence between the Paris Declaration principles and commitments and gender equality objectives and strategies.

[10] One example referred to in the Monterrey Consensus are gender-responsive budgets that relate to the mobilization of financial resources at the national level.

b) African commitments

The AU has adopted a ground-breaking Protocol that recognises the economic value of women. On 11 July 2003, the African Union adopted a Protocol on the Rights of Women in Africa, a supplementary protocol to the African Charter on Human and Peoples' Rights, which was adopted in 1981.[11] The new Protocol covers a broad range of human rights issues and a broad range of economic rights for women including, inter alia, the right to equal pay for equal work; the right to adequate and paid maternity leave in both private and public sectors; the right of women's access to and control over land and other productive resources and to inherit equitable shares of property from their husbands and parents; women's rights to equitable sharing of joint property upon separation, divorce, or annulment of marriage; protection and social insurance systems for women working in the informal sector, and recognition of the economic value of women's work in the home. This ground-breaking Protocol offers women in Africa not only a bill of rights that addresses protection of their range of rights within an African context, but also obligates states to take action and allocate resources to ensure that African women enjoy these rights.

The Solemn Declaration commits African leaders to report on progress on the state of gender equality and women's empowerment on the continent. The Solemn Declaration on Gender Equality in Africa (SDGEA) is an important African instrument for promoting gender equality and women's empowerment as it strengthens African ownership of the gender equality agenda and keeps the issues alive at the highest political level in Africa. Through the Solemn Declaration, Heads of State and Government commit themselves to report annually on progress towards gender equality. In addition, the Chairperson of the AU Commission is expected to submit an annual report to the Assembly on progress made in the implementation of the Solemn Declaration as well as on the state of gender equality and gender mainstreaming at the national and regional levels. In order to guarantee the implementation of SDGEA at the regional and national level, a Comprehensive Action Plan is being developed to mobilise resources for its implementation.

Table 2 below shows **ECA's African Women's Progress Scorecard (AWPS)**. The AWPS measures government policy performance regarding women's advancement and empowerment and tracks government progress in ratifying, implementing and monitoring relevant conventions and documents on gender equality and women's rights including CEDAW; the Women's Protocol of the African Charter on Human and People's Rights, the BPFA and the ICPD. The AWPS is composed of four blocs: women's rights, social power 'capabilities', economic power 'opportunities' and political power 'agency'. The scoring for each indicator is done on a three-point scale: 0 for a zero performance, 1 for a poor to fair performance and 2 for a good to excellent performance. The full version of the AWPS - with a break down of each of the indicators - is shown in Annex 1.

[11] The countries that have ratified the Protocol as of November 2006 are Benin, Burkina Faso, Cape Verde, Comoros, Djibouti, Gambia, Libya, Lesotho, Mali, Malawi, Mozambique, Mauritania, Namibia, Nigeria, Rwanda, South Africa, Senegal, Seychelles, Togo, and Zambia.

Table 2. African Women's Progress Scoreboard

			Total	Maximum possible score	% Obtained
WOMEN'S RIGHTS	CEDAW	Ratification without reservation	14.4	26	55%
		Optional protocol	0.75	2	38%
		Art 2	15.3	26	59%
		Art 16	13.6	26	52%
	African Charter of Human and People's Rights – Women's Rights Protocol – harmful practices		1.17	2	58%
SOCIAL	Beijing Platform of Action		13.9	24	58%
	Violence against Women	Domestic violence	10.9	24	45%
		Rape	10.3	24	43%
		Sexual harassment	7.67	24	32%
		Traffic in women	6.42	26	25%
	African Charter on the Rights of the Child art XXVII		13.3	26	51%
	Health-ICPD POA Plus Five	STI's	13.7	22	62%
		HIV/AIDS	15.7	22	71%
		Maternal mortality	15.9	22	72%
		Contraception	16.3	22	74%
	2001 Abuja Declaration on HIV/AIDS and women		10.3	22	47%
	Education	Policy on girl school dropouts	12.7	22	58%
		Education on human/women's rights	6.08	22	28%
ECONOMIC	ILO	Convention 100 (Equal Renumeration Convention)	12.29	26	47%
		Convention 111 (Discrimination in Employment)	12.95	26	50%
		Convention 183 (Maternity Protection)	6.46	26	25%
		Policy on HIV/AIDS	9.55	22	43%
		Engendering NPRS	10.15	20	51%
		Access to agricultural extension services	9	20	45%
		Access to technology	6.46	20	32%
	Equal access to land		7.95	22	36%
POLITICAL	UN 1325 conflict resolution		2.1	22	9.5%
	Beijing PFA effective and accessible national machinery		11.23	22	51%
	Policies	Support for women's quotas and affirmative action	5.99	20	30%
		Decision making positions within parliament/ministries	5.84	22	27%
		Gender mainstreaming in all departments	7.01	20	35%
Total Score			305.37	672	**45%**

Source: Compiled scores from the ECA Africa Gender and Development Index (AGDI) field studies conducted in 12 African countries, 2004-2005.

The figures in Table 2 are the average performances of the 12 African Gender and Development Index (AGDI) trial countries.[12] The first column shows the total average score obtained for each specific commitment. The second column shows the maximum possible score that could be obtained, and the final column shows the percentage obtained of the maximum possible score. The overall AWPS score of 45% shows that the countries under review have scored less than half in terms of meeting their commitments. Most progress is being made in the social bloc particularly in relation to commitments to health within the context of the ICPD. More progress is needed in terms of commitments to women's rights in the context of CEDAW and The African Women's Rights Protocol and in the economic bloc, particularly for commitment to access to technology and equal access to land. In the political bloc, least progress is being made in relation to commitment to the UN 1325 conflict resolution and support for women's quotas and affirmative action.

IV. Translating commitments into policy prescriptions/actions: Key bottlenecks and operational implications

The major African and international commitments have set a far-reaching global policy agenda on gender equality and empowerment. In particular, it has become widely accepted that promoting gender equality and women's empowerment is essential to human development and poverty eradication. However, implementation of this policy agenda has been elusive. The goal of extreme poverty eradication and achieving gender equality cannot materialise in isolation from each other, and achieving the MDGs requires a significant gender dimension.

a) Land and property rights

Land and property rights for women require urgent attention from policy makers and land reform practitioners in Africa. Land is the single most important asset for both poor and non-poor households in Africa. It is a key social and economic asset for cultural identity, political power and participation in decision-making, provides a secure place to live, a locus for economic and social activity, and constitutes collateral for credit and other resources and empowerment. Widespread exclusion of women in Africa from owning and/or controlling land means that they are often barred from effectively engaging in economic activities and having a secure and sustainable livelihood.

[12] These countries are as follows: Ethiopia, Madagascar, Tanzania, Uganda (East Africa); Benin, Burkina Faso, Ghana (West Africa); Cameroon (Central Africa); South Africa, Mozambique (Southern Africa); Egypt, Tunisia (North Africa).

Box 2. Addressing gender biases in land relations in Africa

The concept of gender relates to the perceived and actual qualities and behaviours of males and females in relation to each other in society. Gender roles and expectations are often rooted in existing power relations. In most of Africa, gender relations are largely informed by a patriarchal orientation and the subjugation of the rights and status of women in relation to those of men. In this regard, women face discrimination under both customary and statutory systems of land tenure as a result of culturally embedded discriminatory beliefs and practices (or their pervasion) and male control of inheritance systems. Customary practices regarding land are particularly adverse for women, who rarely have full rights in land but must negotiate as secondary claimants through male relatives - their father, brother, husband or son. Succession and inheritance rights remain problematic, since women usually cannot inherit the matrimonial home on the death of their spouse. Women's rights are affirmed in a number of African nation's constitutions, but in most cases, entrenched and discriminatory social practice overrides constitutional provisions. While legislative reform is needed to strengthen women's property rights (for instance through provision for spousal co-ownership, opportunities to hold land in their own right, and prevention of sales of family land in the absence of agreement by both husband and wife) and to improve inheritance rights, wider action is needed, including education advocacy and legal literacy work. Securing women's sustainable access to land requires a coherent reform of policies and practices, from the constitutional (where this has not yet been addressed), to the community and ultimately and perhaps most importantly, the household level.

Source: ECA, ADB, AU, Land Policy in Africa: A Framework to Strengthen Land Rights, Enhance Productivity and Secure Livelihoods (2007)

Women face discrimination under both customary and formal systems of land tenure as a result of culturally embedded discriminatory beliefs and practices and male control of inheritance systems. The land rights of women and inheritance practices and norms need to be addressed. Evidence indicates that land policies that aggravate land tenure insecurity and ignore the rights and/or interests of women increase household vulnerability.[13] This has particular resonance with women's rights in the context of gender power relations which are falling under increasing pressure from HIV/AIDS. Evidence across Africa of forced removals of widows from land and property grabbing have become issues that require urgent attention from policy makers and land reform practitioners. This can occur even where women's property and inheritance rights are established by statutory law, suggesting how multiple factors – including social norms, local customs and institutionalised practices – can influence decisions on property transfers.

Land distribution and tenure reform programmes pose different challenges for the development of gender-sensitive land policies. Generally land distributions through resettlement schemes are often biased towards male heads of households and, invariably, registered leaseholders are men. This leaves women particularly disadvantaged in the event of widowhood and divorce of polygamous unions. Trends show that land markets[14] are creating landless women and poverty for large segments of the population as there is ready cash and the entitled individuals can sell land which was once, or ostensibly is, family land.

[13] Paper presented by Dr Akinyi-Nzioki for the APF Gender Expert Group Meeting held in Berlin, 21st February 2007.

[14] Presently, most land markets in Africa (except for socialist countries such as Eritrea, Ethiopia and Mozambique) are based on 'willing buyer, willing seller'.

Box 3. Regional Differences in Land Tenure Systems

There are important regional differences that reflect the great diversity of land tenure systems in Africa. Laiglesia (2006) reports that most of West Africa is characterised by a dual system in which customary land tenure arrangements coexist with formal ownership (e.g. Senegal and Burkina Faso). Such customary arrangements have been eroded in parts of East Africa that experienced collectivisation (e.g. Tanzania and Ethiopia) or large parts of Southern Africa that underwent land distribution following independence. According to the GID database, women have reasonable access to land in most countries in Northern Africa. With the exception of Sudan and Mauritiania, which both apply Sharia Law, women are not prevented from owning or inheriting land. Similar observations apply for Southern Africa although some countries (e.g. Namibia, South Africa and Zimbabwe) still rank poorly in terms of gender equality in land rights. In Central Africa, for most of the countries included in the database (Cameroon, the Central African Republic, Chad and Eqautorial Guinea) women's access to land is obstructed through inheritance practices that prevent the transfer of property to daughters or through regulations that make land purchases impossible for women as they require documentation not usually held by them

Source: OECD Development Centre, 2007

As shown in Box 3, there are important differences that reflect the great diversity of land tenure systems in Africa. In addition, land reform approaches and strategies vary from one country to another, but the approaches which tend to treat land as a *market commodity* rather than a *public good*, have dominated the design of national and land policies. Land policy has therefore become increasingly focused on facilitating market forces, economic efficiency and investment. This process has often meant more insecurity in access and rights to land as a consequence of the commercialisation of agriculture and individual titling which marginalises the position of women.

Most land markets in Africa are premised on "willing buyer-willing seller" basis, and although markets are in theory open to everyone, poor rural people (especially poor rural women) are unable to take advantage of the market system because they lack three essentials: information about new laws and programmes; money to purchase land; and access to credit. Access to credit is therefore a major bottleneck for poor and landless women when acquiring other productive resources and inputs necessary for survival. On the other hand, policy trends of privatisation and commercialisation of agriculture favour the consolidation of land and tend to neglect legal and agrarian reforms that would bring about a fair distribution of resources. The privatisation of land has worsened the situation for women and the poor as widespread sale of community and state-owned land to private developers has led to the commodification of land.

An engendered approach to land means policies related to land should be put in place that take women's needs and rights into account in order to have a framework that addresses current barriers to women's access to and control over land. It is important to establish clear legislative frameworks for protecting the rights of women and inheritance of land and land-based resources. However, legally recognised rights are not sufficient. The security of women's land rights depends on whether these rights are socially and legally recognisable and enforceable. Advocacy together with education in support of women's land rights have an important role to play given the deep-rooted cultural norms and practices which underlie discrimination in land tenure in Africa.

Additionally, the relationship between customary law and statutory law allows for gaps in implementation, monitoring and enforcement that do not recognise women's equal rights to tenure. These gaps are exacerbated by women's lack of awareness of their rights and by national practice in family and civil codes and administrative regulations contrary to women's interest. If the challenge faced by women in owning and controlling land due to the African value system around land were to be eliminated, women's opportunities would improve. By simply passing laws and policies sometimes, governments are not able to change the cultural setting and often these laws and policies have no or little impact at the community level, where major decisions on land inheritance, ownership, transfer and sub-division of community land takes place. Understanding the African context embedded in traditional cultural value system is therefore critical if women have to take advantage of community-based decisions on land.

It is also not sufficient to ensure women's access to land without enabling them to develop land more extensively. Improving women's full access to economic opportunities, land, credit, natural resources among others are essential components of poverty reduction. Resources need to be mobilised for the economic development of land owned by women at the same time as they are assured of security of tenure for themselves and their families.

b) Gender and economic governance

Gender sensitive budgeting is "good budgeting" – African countries should use annual budgets to ensure that public money is spent in ways that reduce the gender gap. Gender budgeting is a tool that deals directly with the responsibility of governments to international commitments to women – namely equality in the distribution, access and funding of public resources necessary for the implementation of CEDAW and the BPFA at the national level. It is also a tool that deals directly with human rights instruments through reducing inequalities in the distribution of resources.

Budgets influence the overall level of income and employment of a country and also reflect a government's political priorities regarding the distribution of expenditures.[15] It is a powerful means to promote gender equality within the national development framework. Gender budgeting aims at mainstreaming a gender equality perspective into public finance by developing "gender budgets" which are not separate budgets for women, but instead, general budgets that are planned, approved, executed, monitored and audited in a gender-sensitive way. This means that policies are assessed in terms of their gender impact and budget allocations are made to reduce gender gaps. Gender budgeting, therefore, helps to monitor the achievement of policy goals and commitments. By tracking how money is spent, gender budgeting helps to increase accountability and transparency and, thus, good economic governance overall.

There are now a number of commitments to gender-budgeting, for example in the BPFA (see Box 4). As a result, and as noted by Schneider, gender-budgeting is now practiced in over 60 countries in the world, many in Africa. Gender budget initiatives have scored important successes ranging from actual expenditure re-allocations to opening traditionally secretive budget processes to much greater transparency and accountability. The key

[15] Paper presented by Dr Katrin Schneider for the APF Gender Expert Group Meeting held in Berlin, 21st February 2007.

challenge is to build on this progress and ensure sustainability through a concerted effort at consolidating government capacity in gender budgeting so that it becomes embedded across an increasing number of line ministries. National budgetary modelling programmes should ensure that gender variables are captured and included in the Social Accounting Matrix (SAM) as a way of mainstreaming gender into all aspects of the modelling process.

Box 4. The Beijing Platform for Action and Gender Sensitive Budgets

The Beijing Platform for Action refers to the need for gender sensitive budgets under the heading Financial Arrangements: 345. This will require the integration of a gender perspective in budgetary decisions on policies and programmes, as well as the adequate financing of specific programmes for securing equality between women and men.

National Level
346. Governments should make efforts to systematically review how women benefit from public sector expenditure; adjust budgets to ensure equality of access to public sector expenditures.

International Level
358. To facilitate implementation of the Platform for Action, interested developed and developing country partners, agreeing on a mutual commitment to allocate, on average, 20% of official development assistance.

Source: Background Paper on Engendering Budgetary Policy and Process, UNECA, (2001)

Different dimensions need to be considered when looking at budgets from a gender perspective. First of all, women as users of publicly funded services many have different needs to men due to their different roles and responsibilities e.g. investment in community wells, household energy etc. It is imperative therefore that these different roles are taken into consideration in budgetary allocation. Secondly, women and men have different time-use patterns. Time-use surveys therefore constitute a critical instrument to value the burden of paid work and unpaid care work so as to inform policy making and budgetary allocation. This can help establish whether a budget and its underlying policies are, for example, relying on women's unpaid labour. It is a known fact that women in Africa spend more time working than men (paid and unpaid), therefore budget re-allocations such as a decrease in social spending may result in an increased "transfer of costs" formerly covered by the government to the household (in the form of time-use or the introduction of user fees). Needless to say, this transfer of costs will normally be carried out by African women. Therefore, all governments should work together and move speedily to ensure that women's work is accounted for in Statistics of National Accounting (SNAs), valued and rewarded, from satellite accounts to national accounts.

A serious and rigorous gender-budgeting analysis must be carried out to assess whether a given policy is creating inequalities as well as presenting a case for change. However, the collection and processing of data is fundamental to the application of serious gender budgeting. If comprehensive and disaggregated data is available public expenditure-benefit analysis and time-use analysis offer an opportunity for generating an innovative and detailed understanding of the budget's impact on different groups of men and women. A major obstacle that gender-budgeting initiatives are facing in Africa is the lack of gender-disaggregates statistics. Despite the fact that every government should be able to "cost" the services it provides, and identify who is accessing them, this task is extremely difficult in many African countries.

Gender-budgeting is not yet institutionalised on an on-going basis in Africa and the practice is still often falsely regarded as an add-on activity rather than part and parcel of overall public financial management. In addition, most gender budgets have not yet made an explicit link with international obligations such as CEDAW and the BPFA that many African governments are committed to. Gender-sensitive budgeting implies a profound change to policy formulation and depends on government commitment to gender equality and willingness to change. It is therefore important to examine how policies, programmes and processes are structured so that women's energies are not neglected but rather are managed in order to preserve their total well-being and effectively the well-being of the nation. It is also important to look into how their time could be freed to allow room for other endeavours such as active political participation. A policy and resource allocation process that recognises the unique position of women in contributing to national well-being and output is relevant for the attainment of this ideal.

c) Gender, financing for development (FfD) and aid modalities

It is important to strive towards measures to strengthen gender equality in conceptual, financial and operational terms in the Monterrey Consensus and the Paris Declaration. The Monterrey Consensus, the Paris Declaration, and the new aid modalities have great potential for giving new impetus to the empowerment of women and the promotion of gender equality in development co-operation. The Monterrey Consensus framework places emphasis on the need for gender mainstreaming and a more integrated role in the development process for people living in poverty. One of the key stated objectives of paragraph 8 in the Monterrey Consensus which relates to gender equality goals is "to fund sustainable investments in education, health, nutrition and social security programmes which take special care of children and are gender-sensitive and fully inclusive of the rural sector and all disadvantaged communities". This gender dimension represents a commitment to developing financial mechanisms that support outcomes that are in line with overall gender equality.

However, the "Monterrey Consensus" includes very limited commitments to gender equality.[16] First of all, the Monterrey Consensus emphasizes the need for governments to implement sound macroeconomic policies and assign "priority to avoiding inflationary distortions and abrupt economic fluctuations" (Paragraph 14). From a gender perspective, the first problem that arises is the cut back of basic services that governments implement in order to address budget imbalances which result in serious reductions to health and education services that negatively affect the most vulnerable groups i.e. women. Secondly, the Monterrey Consensus makes no reference to the gender implications of trade. It is therefore important to strive towards a greater introduction of measures to strengthen gender equality in conceptual, financial and operational terms of the Monterrey Consensus, while assuring the implementation of already accepted measures.

The Paris Declaration (PD) has set a clear international medium-term agenda on aid effectiveness that operationalizes good practice principles of ownership, alignment,

[16] The Monterrey Consensus is centred on six different issues 1) Mobilisation of Domestic Financial Resources 2) Mobilisation of International Resources for Development 3) International Trade as an Engine of Development 4) Increasing International Financial and Technical Cooperation for Development 5) External Debt and 6) Enhancing the Coherence an Consistency of International Monetary, Financial and Trading Systems for Development.

harmonisation, results and accountability. The operational impact of its mutual commitments and principles is strengthened by its agreed indicators, quantitative targets, and a monitoring process. The current changes in aid modalities, with their focus on increased ownership, provide opportunities to strengthen the promotion of gender equality in the context of development aid. Ongoing efforts to harmonise development co-operation, as enshrined in the PD, focus on procedures and administration of aid that result in a more cost-effective use of aid funds by reducing transaction costs.

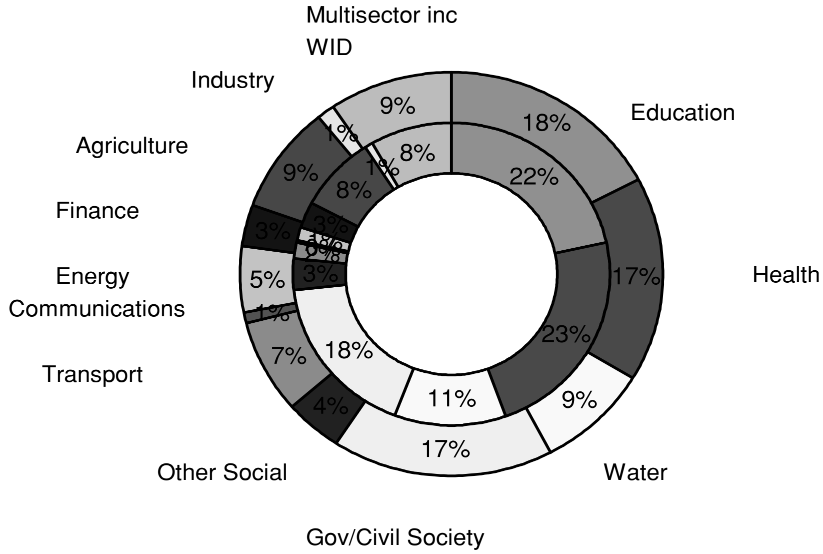
Even though gender equality has not been explicitly expressed in the PD, there is considerable congruence between the PD Principles and Commitments and gender equality objectives and strategies, and it is important to find ways to apply the overarching principles of the PD to work on gender equality (Gaynor, 2006).[17] With a stronger gender perspective, focusing on efficiency changes to aid mechanisms will have a greater impact on development effectiveness. Demonstrating gender equality results and impacts is an essential part of 'managing for development results' and monitoring gendered impacts is a good way of ensuring that aid is reaching those it is intended to serve (ibid). However, the question of how to measure the inputs and results of inputs for women and gender equality (through monitoring resources and measuring effects) in the new aid architecture reflects a greater challenge with regard to which demands can and should be made in relation to new forms of assistance. The recent changes in the allocation of development aid and the promotion of gender equality therefore require more result-based evaluations, which can clearly determine their effectiveness. This is not only necessary for assuring that objectives are achieved, but also to crucially allow for adequate accountability.

Sector-wide approaches (SWAps) and budget support limit development partners' ability to influence the way in which recipient countries allocate money, including the resources given to the promotion of gender equality. Although certain arrangements can be agreed in Memorandum of Understandings regarding resources provided, the primary responsibility for determining how these funds should be used lies with the recipient governments. However, recent audits and reviews of PRSs, MDG country reports and SWAps indicate that gender is not well incorporated into these important plans and processes (Gaynor, 2006). The combination of the new aid mechanisms and the strategy of gender mainstreaming therefore make it increasingly difficult to evaluate how much attention and money is given to the promotion of gender equality in any given country.

In terms of donor support to gender equality, since the 1995 Beijing Conference - which marked a milestone in international commitment to gender equality issues - donor support for gender has been improving and more resources are devoted to gender equality targets, particularly in the social sectors (World Bank, 2007). Globally, a quarter of bilateral aid by sector over the period 2001-2005 was focused on gender equality – although this figure does not include activities with no explicit gender equality focus, such as infrastructure, which can nevertheless have a benefit impact on women and girls.

[17] The OECD/DAC Working Party on Aid Effectiveness, which is responsible for following up the Paris Declaration, has established four thematic groups to report on progress in the harmonisation of development cooperation with clear targets and indicators. Reports must be submitted for development partner and recipient countries. The OECD/DAC Gendernet has the areas of new aid modalities, budget support and gender equality in its programme of action for the period 2007-2008.

Figure 4. Aid to support gender equality in Africa, 2001-2005 - Gender equality focus of bilateral ODA by sector (% distribution of average annual commitments in 2001-2005)



Outer Circle – Total Bilateral Sector Allocable ODA (USD $5bn)
Inner Circle – Bilateral ODA focused on gender equality (USD $1.8)
Note: Not all DAC Members report the gender equality focus of their ODA.
Source: Compiled by OECD DAC from Creditor Reporting System (CRS) database

The figure for Africa is higher than the global average. As illustrated in Figure 4, over a third of all bilateral ODA allocated by sector over this period – US$ 1.8 billion out of US$ 5 billion - was focused on gender equality.[18] Looking behind this overall statistic, there are four key points:

- The absolute volume of bilateral ODA focused on gender equality rose by 160% over this period, from US$ 940 million in 2001 to nearly US$ 2.5 billion in 2005.

- As a percentage of bilateral ODA allocated by sector, the proportion increased from 27% to 39% between 2001 and 2004 though it fell back to 34% in 2005.

- Over the period as a whole, around 55% of ODA focused on gender equality went to education, health, water supply and sanitation. Only around 10% went to the productive sectors – agriculture and industry.

- The proportion allocated to the productive sectors between 2001 and 2005 amounted to respectively: 10% in 2001, 11% in 2002, 5% in 2003, 11% in 2004 and 9% in 2005. These figures show that even though the absolute volume of bilateral ODA is increasing, the proportion allocated to the productive sector – central to the economic empowerment of women - is not showing any increase.

---

[18] Not all DAC members report the gender equality focus of their ODA. The diagram therefore covers only a part (around 50%) of total sector-allocable bilateral ODA in 2001-2005. All percentages and values should therefore be treated as indicative

Multilateral Development Banks (MDBs) have been making progress in strengthening their support for gender equality and empowerment for women. For example, the World Bank has recently produced the Gender Action Plan (2007-2010) of which there will be an initial investment of US$ 24.5 million over four years aimed at leveraging substantially greater resources for women's economic opportunity made through World Bank Group grants and no-interest and low-interest loans to developing countries. In addition the Africa Development Bank's (AfDB) Gender Plan of Action (GPOA) reflects a commitment to promote gender equality by mainstreaming gender issues in its activities and to support the efforts of Regional Member Countries (RMCs) to attain gender equality objectives. The GPOA is supported by the AfDBs Vision and Strategic Plan and Action Plan 2003-2007 which identifies gender as one of the Banks main cross-cutting issues.

While there is a clear lack of translation of political commitments and legal obligations to gender equality in the context of development assistance into actions on the ground, it is important to see what scope there is for improvement. First and foremost, strategies to achieve gender equality must be clearly integrated in the design of the new aid architecture in order to make these new modalities effective and efficient tools. Women's needs and priorities need to be included in PRSs and PRSs also need to include specific objectives and targets set to promote gender equality. A gender audit of national budgets should be part of the planning processes and the involvement of women as decision-makers at all levels is key to ensuring that the gender equality is given attention with the new aid modalities.

Priority also needs to be placed in investing dedicated resources to include gender equality and women's empowerment in the results agenda. As argued by Gaynor (2006), the PD envisages a substantial scaling up of aid. The opportunity to influence how this expanded budget will be spent, and ensuring that women benefit equitably from it, will be lost unless gender equality is clearly mainstreamed in the PD machinery and processes for allocating aid.

d) *Gender and investment/trade*

One of Africa's major dilemmas is how to extract growth from all its able agents. Direct Investment (including Foreign Direct Investment - FDI) and trade liberalisation are viewed as central elements of any development strategy by the international community, as agreed in the Monterrey Consensus. Traditionally, investment and trade policies have been considered "gender blind" i.e. they did not have any particular effect on males or females. This has carried over into trade policy-making and is deeply embedded in the formulation, negotiation and implementation of trade agreements such as the Uruguay Round/WTO Agreements. However, the impact of investment and trade on women is important not only because they represent over half of most populations, but because they also face particular constraints which may make them less able to benefit from trade and investment (OECD, 2005). The gender bias usually is not in the technical language of any policy per se, but in the impact of the policies and the implementation of international agreements.

The globalisation of markets is a critical issue for women, particularly women engaged in subsistence agriculture. A critical and important aspect in examining agricultural liberalisation in Africa is the gendered nature of agricultural production, processing and marketing. Women may not be able to benefit from the expansion of trade in agricultural products due to the obstacles faced in terms of limited access to productive resources (land, credit, transport, extension services, storage and technical assistance) which prevents them from adopting new technologies or increasing economies of scale. Without secure land rights, women are often denied access to credit or the benefits of membership in co-operatives and farmers associations. Without credit, women farmers cannot buy inputs such as seeds, fertilizers, and better technology, or hire workers. It has been calculated that agricultural productivity could increase by up to 20% if women's access to such resources as land, seed and fertilisers were equal to men. It therefore makes economic sense to overcome these constraints and invest in women farmers in order for them to benefit from agricultural trade liberalisation and increase production and productivity. Where women are the main food producers, they should also be a priority target for credit facilities and extension services.

Moving away from agriculture, it is clear that FDI in labour-intensive, largely export-oriented, industries has had a significant impact on women's work and development. While there has been a positive relationship between women's employment and FDI in semi-industrialised countries, there is mounting evidence that women either lose jobs to more highly qualified men as industries upgrade, or get pushed down the production chain into sub-contracted work as competition forces firms to continually lower costs. As a result, women have been excluded by the current nature and corporate approach of FDI.[19] There is likely to be some short-term improvement in women's incomes as FDI expands, but the longer term trajectory of women's wages is less promising.

In terms of gender-based wage inequality, the research on FDI is consistent with other findings that it does not systematically narrow the gender wage gap. Gender inequality in opportunities and capabilities is manifested in gender gaps in education, technology acquisition and learning, access to financial markets, job mobility, equitable property rights and wealth assets. It is argued, therefore, that the most important intervention open to governments from an equity perspective is to enhance the productive capacities of women and girls, as well as expand the social supports available to them as they enter the labour market. FDI in Africa is also becoming more concentrated in the services sector (such as banking, telecommunications, insurance, health and education). A better understanding is needed of the gendered employment dynamics in the service sector, and how foreign ownership in services affects women's and men's differential access to service-based resources (finance, insurance, telecommunications, health and education).

Trade policies affect women's employment, access to markets, production, distribution, consumption patterns, cultural values, social relations and the environment - all of which engage women in the African continent. Trade expansion, for example, typically results in an increase in labour-intensive exports. Production of many of these exports require manual dexterity and stamina and employers in these industries often prefer to hire women,[20] which means that women have been able to gain bargaining power as a result of their access to regular wage employment. However, trade alone will not bridge the gender wage gap. There are some defining factors, such as gender discrimination, lower skill levels, and gender inequalities in access to resources that impede women's ability to benefit from trade expansion (OECD, 2005). As once pointed out by Sen (1996), 'trade liberalisation is not

[19] Paper submitted by Dr Bola Akanji for the APF Gender Expert Group Meeting held in Berlin, 21st February 2007.

[20] One source suggests that there are 50 million jobs in export processing zones worldwide, and 80% of these are held by women (ICTFU, 2005).

inherently welfare producing; it can produce and re-produce inequality, social disparities and poverty at the same time as it expands wealth.'

As shown from the above, existing gender inequality and gender biases may adversely affect the outcome of investment policies and trade policies. In many areas of Africa, women will not necessarily benefit from more investment since these processes only marginally affect their domain: food production. In addition, rarely is there investment to make food production or housework less time consuming and more efficient. In the labour market, gender bias continues to perpetuate the existence of segmented labour markets where inequality in wages, promotion and conditions of work is pervasive.

These considerations are generally lacking in policy formulation and partnership agreements. The capacity to anticipate gender effects of trade and investment policies requires a concerted gender policy analysis at the national, regional and global level. The International Gender and Trade Network has been spearheading such a critical analysis while institutions like the World Bank, UNCTAD and the ECA have been promoting gender discourse and research as well as gender-aware macroeconomic (trade) policy modelling. The G8 and other development partners can lend support to these efforts by bringing these efforts under a common programme of action of the APF/G8.

Unequal gender relations in Africa cripple women's ability to be efficient producers in agriculture and also in the formalised labour market. One of Africa's major dilemmas is how to extract growth from all its able agents. Ultimately, real transformation requires the full utilisation of all talents of men and women in society.

V. Key actions and the way forward - the role of African governments and development partners

General recommendations:

- G8 members should create a fund for the implementation of gender equality and empowerment commitments as contained in the Kananaskis Action Plan and gender- related commitments made at Gleneagles - as well as MDG 3.

- Support the African Union member states in implementing their gender equality and empowerment commitments as contained in national development strategies and to invest in the development of regional and national implementation strategies of the SDGEA and the Protocol on the Rights of Women in Africa.

Specific recommendations:

Land and property rights:

- Although the responsibility of transforming the land and property legal infrastructure lies with governments, development partners can support land reforms and inclusive land policy development that addresses the needs of women;

- While national governments should continue to provide an enabling environment for research and facilitation through regional institutions, including the AU/NEPAD, and research institutions/CSOs working on land issues, development partners should also make firm commitments for effective support to gender sensitive land reform initiatives taking place in Africa, particularly roles being played by different stakeholders;

- Taking into account the linkages that exist between the achievement of the MDGs and land and property rights for women, development partners should support national government efforts towards the achievement of the MDGs within the context of women's land rights;

- Building on the Paris Declaration on Aid Effectiveness, development partners are encouraged to adopt a gender-budgeting approach in aid modalities to guarantee increased support to sectors which address women's land rights including agriculture, water, trade and infrastructure, and ensure that women benefit proportionately;

- Given the negative aspects of the commodification of land based on the market-based efficiency allocation theories to community land ownership which is disinheriting poor people, particularly women and children from land-based livelihoods, the attention of development partners is called upon to work closely with African governments to promote the development and adoption of gender-sensitive legislation on family rights and inheritance;

- Development partners are encouraged to support national government efforts to institute mechanisms and structures for monitoring and evaluating women's enhanced access to land and its contribution to GDP, as well as the overall economic impacts on both households and macro-level policies;

- Given that African governments have mechanisms in place at the regional level that aim at addressing gender equality issues (e.g. AU Committee on Gender and the NEPAD Gender Task Force), the G8/OECD is encouraged to institute a similar advisory committee in the form of a G8/OECD Gender Task Force to provide a platform of engagement, exchange and monitoring.

Economic governance:

- A gender-responsive public financial management system should be a key element of good economic governance and democratic accountability and should be a core aspect of budget support. A gender perspective should be incorporated in ongoing public finance reform processes, such as the introduction of performance/programme budgeting and MTEFs. Development partners also need to develop and implement gender-sensitive budget practices;

- Given that budgets are key political tools to implement national development policies such as PRSs and sector policies, African governments are encouraged to work with development partners to support gender-budgets that are based on a gender-sensitive situation analysis and address key gender issues in a country/sector;

- Gender needs assessments should be carried out to establish the cost of the achievement of the MDG 3 in specific countries and provide a cost for specific interventions in the seven priority areas as identified by the Millennium Task Force on Gender Equality to ensure that funds are made available in the national budget;

- National governments need further capacity-building in collecting and analysing sex-differentiated and gender-specific statistics, as well as time-use data. Further collaborative work is needed to revisit satellite accounts to ensure that they reflect the amount and value of women's work in the "care economy";

- Given the great human consequences caused by the HIV/AIDS pandemic, national governments are urged to pay special attention to the care economy and facilitate its incorporation into macroeconomic models that are guiding macroeconomic policies. Governments should also re-allocate resources to take into account home based care - especially in the context of HIV/AIDS.

Aid modalities:

- Acknowledging the high-level political commitments that have been made on gender and economic empowerment, work on gender equality seems to be losing traction. Development partners are urged to use the G8 Summit in 2007 to reverse this trend as well as fast track the translation of existing shared global and regional commitments into investment in women and the achievement of gender equality;

- Given the key role development partners play in budget support, they are called upon to pay special attention to managing and allocating resources more effectively by supporting the strengthening of relationships between finance, planning and line ministries, and by dividing up the labour/responsibilities according to the comparative advantage of each of the development actors;

- Acknowledging the critical role CSOs play in implementation of gender commitments, development partners are called upon to strengthen the capacity and preparedness of CSOs and women's networks to actively engage in policy and political dialogue on gender and empowerment issues;

- Given that the majority of the African population is located in the rural areas, development partners are encouraged to work together through national machineries and CSOs in order to reach remote areas particularly in countries where governance systems are weak or countries in conflict.

Trade and investment:

- Within the context of the Kananaskis Action plan, the G8 should pay specific attention to the inter-linkages and impacts between gender equality, investment, trade outcomes and growth and address these issues holistically;

- African governments have a role to play in providing the necessary financial infrastructure to support African women entrepreneurs and to provide access to business skills training through local women's associations and networks. Development partners are called upon to these support these initiatives through the creation of investment funds for women and allocation of credit lines to women;

- Access to relevant and appropriate technologies for generating additional product value and fostering product differentiation and diversification is critical for women. Hence development partners are urged to specifically invest in women involved in the agro-processing sector;

- In recognition of the key role the informal sector plays in sustaining economic growth, African governments are urged to consider establishing an enabling environment for private sector activity, including targeted support to women managing small- and micro-enterprises that will enable them to expand and diversify output and graduate to the formal sector;

- Given the important role of agriculture in the economy, African governments should step up support to women working in the agricultural sector, and provide them with the necessary resources, services and extension facilities in recognition that women play a key role in terms of production, food security, and environmental sustainability;

- Within the context of supporting the growth of women's enterprises from SMEs to corporate businesses, development partners should put in place a facility that encourages joint ventures and partnerships among women in business at the regional and international level.

Annex 1:
The African Women's Progress Scorecard (AWPS)

			Ratification	Reporting	Law	Policy commitment	Development of a plan	Targets	Institutional mechanism	Budget	Human resources	Research	Involvement of civil society	Information & dissemination	Monitoring & evaluation	Total	Max possible score	% Obtained
WOMEN'S RIGHTS	CEDAW	Ratification without reservation	1.83	1.25	1.42	1.42	0.92	0.92	1.17	0.83	0.83	0.75	1.25	1.17	0.67	14.4	26	55%
		Optional protocol	0.75	x	x	x	x	x	x	x	x	x	x	x	x	0.75	2	38%
		Art 2	1.83	1.17	1.58	1.5	1	1.17	1.25	0.92	1	0.83	1.25	1.08	0.67	15.3	26	59%
		Art 16	1.67	1.17	1.33	1.17	0.83	0.75	1.17	0.75	0.92	1	1.08	1.17	0.58	13.6	26	52%
	African Charter of Human and People's Rights – Women's Rights protocol – harmful practices		1.17	X	X	X	X	X	X	X	X	X	X	X	X	1.17	2	58%
SOCIAL	Beijing Platform of Action		X	1.5	0.83	1.42	1.42	1.25	1.42	0.92	1	0.92	1.33	1.08	0.92	13.9	24	58%
	Violence against Women	Domestic violence	X	1.17	1.25	1.08	0.83	0.75	0.83	0.67	0.83	0.67	1.17	1.08	0.5	10.9	24	45%
		Rape	X	1	1.42	1	0.5	0.5	0.92	0.5	0.92	0.67	1.17	0.92	0.33	10.3	24	43%
		Sexual harassment	X	1.17	1.08	0.92	0.5	0.5	0.58	0.5	0.5	0.42	0.75	0.75	0.25	7.67	24	32%
		Traffic in women	0.67	0.5	1	0.42	0.17	0.17	0.67	0.33	0.67	0.42	0.58	0.75	0.17	6.42	26	25%
	African Charter on the Rights of the Child art XXVII		1.67	1	1.42	1.25	0.92	0.5	1.33	0.83	1	1	1	0.92	0.5	13.3	26	51%
	Health-ICPD POA Plus Five	STI's	X	X	0.5	1.42	1.25	1.25	1.67	1.17	1.17	1.33	1.58	1.17	1.17	13.7	22	62%
		HIV/AIDS	X	X	0.67	1.75	1.58	1.5	1.67	1.33	1.25	1.42	1.67	1.5	1.33	15.7	22	71%
		Maternal mortality	X	X	0.75	1.67	1.75	1.83	1.67	1.33	1.17	1.42	1.58	1.25	1.5	15.9	22	72%
		Contraception	X	X	0.42	1.83	1.75	1.67	1.67	1.33	1.33	1.67	1.5	1.67	1.58	16.3	22	74%
	2001 Abuja Declaration on HIV/AIDS and women		X	X	0.58	1	1.17	1.08	1	0.83	0.92	0.92	1.08	0.92	0.83	10.3	22	47%
	Education	Policy on girl school dropouts	X	X	0.75	1.25	1.5	1	1.42	0.83	1.08	1.33	1.17	1.17	1.25	12.7	22	58%
		Education on human/women's rights	X	X	0.33	0.75	0.67	0.5	1.08	0.5	0.58	0.25	0.58	0.58	0.25	6.08	22	28%

The African Women's Progress Scorecard (AWPS) *(continued)*

			Ratification	Reporting	Law	Policy commitment	Development of a plan	Targets	Institutional mechanism	Budget	Human resources	Research	Involvement of civil society	Information & dissemination	Monitoring & evaluation	Total	Max possible score	% Obtained
ECONOMIC	ILO	Convention 100	1.67	1.08	1.62	1.46	0.46	0.46	1.31	0.69	1	0.46	0.85	0.69	0.54	12.29	26	47%
		Convention 111	1.67	0.9	1.85	1.38	0.62	0.54	1.23	0.69	1	0.69	0.92	0.92	0.54	12.95	26	50%
		Convention 183	0.46	0.16	1.23	0.92	0.15	0.15	0.85	0.46	0.85	0.31	0.31	0.46	0.15	6.46	26	25%
		Policy on HIV/AIDS	X	X	0.46	1.16	1	0.92	1.16	0.85	0.69	0.85	0.92	0.92	0.62	9.55	22	43%
		Engendering NPRS	X	X	X	1.38	1.46	1	1.31	0.77	0.69	0.77	1.08	0.69	1	10.15	20	51%
		Access to agricultural extension services	X	X	X	1.16	1	0.85	1.16	0.69	0.92	0.85	0.85	0.92	0.69	9	20	45%
		Access to technology	X	X	X	1.15	0.77	0.62	0.62	0.62	0.69	0.38	0.77	0.46	0.38	6.46	20	32%
	Equal access to land		X	X	1.16	0.85	0.54	0.54	1.16	0.54	0.77	0.46	0.92	0.85	0.16	7.95	22	36%
POLITICAL	UN 1325 conflict resolution		X	X	0.08	0.31	0.23	0.16	0.38	0.16	0.23	0	0.31	0.16	0.08	2.1	22	9.5%
	Beijing PFA effective and accessible national machinery		X	0.92	X	1.46	1.23	1.08	1.23	0.85	0.92	0.85	1	1	0.69	11.23	22	51%
	Policies	Support for women's quota and affirmative action	X	X	X	1	0.38	0.61	0.77	0.46	0.54	0.61	0.54	0.62	0.46	5.99	20	30%
		Decision making positions within parliament/ministries	X	X	0.61	0.69	0.23	0.23	0.46	0.46	0.54	0.85	0.85	0.69	0.23	5.84	22	27%
		Gender mainstreaming in all departments	X	X	X	1.31	1	0.54	1	0.54	0.92	0.54	0.62	0.62	0.54	7.01	20	35%

Note: The maximum score for each indicator is 2. The figures above are average performances of the twelve AGDI trial countries. For example, the average value for the first row "Ratification without reservations (CEDAW)" is 1.83. All except two of the trial countries have ratified CEDAW without reservations, therefore are scoring the maximum 2. The remaining two countries score 1. The average is 22/12=1.83. The last column "%Obtained" indicates the general performance of all the trial countries. X means that scoring is not applicable.

Source: Compiled scores from the ECA Africa Gender and Development Index (AGDI) field studies conducted in 12 African countries, 2004-2005.

Annex 2:
Expert Meeting on Gender

21 February 2007 ◆ Berlin, Germany

A meeting of African and international experts was organised jointly by the APF Support Unit and the NEPAD Secretariat in Berlin on 21 February 2007, as part of the process of developing this paper. We are grateful for the comments and advice received at this meeting. The full list of institutions represented is below.

INTERNATIONAL AND AFRICAN INSTITUTIONS
Common Market for Eastern and Southern Africa (COMESA)
Organisation for Economic Co-operation and Development (OECD)
United Nations Development Fund for Women (UNIFEM)
United Nations Development Programme (UNDP)
United Nations Economic Commission for Africa (UNECA)
World Bank
CIVIL SOCIETY ORGANISATIONS
Centre for Land, Economy and Rights of Women (CLEAR)
Femmes Africa Solidarité (FAS)
The African Women's Development and Communication Network (FEMNET)
The Southern African Girl Child Alliance (SAGCA)
GOVERNMENTS
Republic of Congo
Denmark
Germany
Zambia

Acronyms

AfDB – African Development Bank
AU – African Union
APRM – African Peer Review Mechanism
AIDS – Acquired Immune Deficiency Syndrome
BPFA – Beijing Platform for Action
CEDAW – Convention on the Elimination of All Forms of Discrimination Against Women
CSOs – Civil Society Organisations
ECA – Economic Commission for Africa
FDI – Foreign Direct Investment
GDP – Gross Domestic Product
GID-DB – Gender, Institutions and Development Database
GSBs – Gender Sensitive Budgets
GPOA – Gender Plan of Action
HIV/AIDS – Human Immunodeficiency Virus/ Acquired Immune Deficiency Syndrome
ICPD – International Conference on Population and Development
ICTs – Information and Communication Technologies
MDGs – Millennium Development Goals
MTEFs – Medium Term Expenditure Frameworks
NEPAD – New Partnership for African Development
OAU – Organisation of African Union
OECD – Organisation for Economic Co-operation and Development
PD – Paris Declaration
RMCs – Regional Member Countries
SAM – Social Accounting Matrix
SDGEA – Solemn Declaration on Gender Equality in Africa
SNAs – Statistics of National Accounting
SWAPs – Sector Wide Approaches
UN – United Nations
UNCTAD – United Nations Conference on Trade and Development
UNDP – United Nations Development Programme
UNECA – United Nations Economic Commission for Africa
WEF – World Economic Forum

References

Africa Union (2004) *Solemn Declaration on gender Equality in Africa,* Addis Ababa, Ethiopia

Africa Union (2003) *Protocol to the African Charter on Human and People's Rights on the Rights of Women in Africa,* Addis Ababa, Ethiopia

Akanji, B. (2007), *Creating Gender Equity in Growth Areas of Development: Trade and Investment*, Paper prepared for the APF Gender Expert Meeting, Berlin, Germany, February 2007.

Akinyi-Nzioki, E. (2007), *Land and Property Rights*, Paper produced for the APF Gender Expert Meeting, Berlin, Germany, February 2007.

Beijing Declaration and The Platform for Action (1995), www.unesco.org/ education/ information/ nfsunesco/pdf/BEIJIN_E.PDF

Blackden. M, Sudharsan, C. Klasen, S, Lawson. D, (2006) *Gender and Growth in sub-Saharan Africa: Issues and Evidence,* Research Paper No. 2006/37, United Nations University, UNU-WIDER.

Blackden, M. and Wodon, Q (2005), *Gender, Time Use and Poverty in sub-Saharan Africa,* World Bank Working Paper no. 73, World Bank, Washington D.C

Blackden, M. and Canagarajah, S. (2003), *Gender and Growth in Africa: Evidence and Issues,* Paper prepared for the UNECA Expert Meeting on Pro-poor Growth, Kampala, Uganda, June 2003.

Blackden, M and Bhanu, C (1999) – *Gender, Growth and Poverty Reduction*, World Bank Technical Papers 428, Special Programme of Assistance for Africa, 1998 Status Report on Poverty, World Bank, Washington D.C.

Braunstein, E. (2006), *Foreign Direct Investment and Gender Equity: A Review of Research and Policy,* Occasional Paper 12, United Nations Research Institute for Social Development

CFA (2005), *Our Common Interest: Report of the Commission for Africa*, London

ECA (2007) *Land Policy in Africa: A Framework to Strengthen Land Rights, Enhance Productivity and Secure Livelihoods*, Addis Ababa, Ethiopia

ECA (2005), *Promoting Gender Equality and Women's Empowerment in Africa: Questioning the Achievements and Confronting the Challenges Ten Years after Beijing,* Addis Ababa, Ethiopia

ECA (2004), Africa Gender and Development Index (AGDI), Addis Ababa, Ethiopia

ECA (2001), *5 years after Beijing: Assessing Women and Poverty, and the Economic Empowerment of Women,* Addis Ababa, Ethiopia

ECA (2001), *Background Paper on Engendering Budgetary Policy and Processes*, Addis Ababa, Ethiopia

Elson, D (2006), *Budgeting for Women's Rights: Monitoring Government Budgets for Compliance with CEDAW*, UNIFEM Discussion Paper

Gaynor (2006), Paris Declaration Commitments and Implications for Gender Equality and Women's Empowerment, DCD DAC Network on Gender Equality, OECD, Paris, France

G8 (2005) Summit Documents - *Africa,* Available at www.fco.gov.uk/ Files/kfile/PostG8 _Glen eagles_Africa,0.pdf

G8 (2002) Summit Documents – *Kananaski's Summit Chair's Summary and G8 Africa Action Plan*. Available at http://www.g8.gc.ca/sumdocs2002-en.asp.

Korinek (2005), *Trade and Gender: Issues and Interactions*, OECD Trade Policy Working Paper No. 24, OECD Trade Directorate, Paris, France

Paris Declaration on Aid Effectiveness (2005) http://www.oecd.org/dataoecd/11/41/34428351.pdf

Pheko, M. (2005), *Gender and Trade Issues in Africa*, Paper prepared for Africa Trade Ministers Meeting, November 2005, NEPAD Gender Task Force, NEPAD Secretariat, Midrand, South Africa.

Schneider, K. (2007) – *Gender and Economic Governance*, Paper presented for the APF Gender Expert Meeting, Berlin, Germany, February 2007

OECD (2006), *The Gender, Institutions and Development Database,* OECD Development Centre, Policy Insights #16, Paris, France

OECD (2005), *Culture, Gender and Growth*, OECD Development Centre, Policy Insights #15, Paris, France

United Nations (2003), *Monterrey Consensus of the International Conference on Financing for Development*, The Final Text of Agreements adopted in Monterrey, March 2002, DESA, NY.

UN Millennium Project (2005), *Taking Action: Achieving Gender Equality and Empowering Women,* Task Force on Education and Gender Equality, UNDP.

UNIFEM (2006), *Promoting Gender Equality in New Aid Modalities and Partnerships,* World Bank (2007), *Gender Equality as Smart Economics, A World Bank Group Action Plan,* The World Bank, Washington D.C.

World Bank (2007) *Global Monitoring Report 2007 – Confronting the Challenges of Gender Equality and Fragile States*, World Bank, Washington D.C

World Bank (2001), *Engendering Development: Through Gender Equality in Rights, Resources and Voice*, World Bank, Washington DC.

World Bank (2000) Can *Africa Claim the 21st Century?,* The World Bank, Washington D.C

World Economic Forum (2006), *The Global Gender Gap Report,* WEF, Geneva, Switzerland

OECD PUBLISHING, 2, rue André-Pascal, 75775 PARIS CEDEX 16
PRINTED IN FRANCE
(02 2009 01 1 P) – ISSN 1995-2821 – No. 56767 2009

OECD Journal

General Papers

TABLE OF CONTENTS

The *OECD Journal* collection comprises six periodicals: *OECD Journal: Economic Studies, OECD Journal: Financial Market Trends, OECD Journal: Competition Law and Policy, OECD Journal: General Papers, OECD Journal on Budgeting, OECD Journal: Journal of Business Cycle Measurement and Analysis*. Each periodical within *OECD Journal* retains its own ISSN, volume and issue numbering. The volume numbering of each journal corresponds to the calendar year, e.g. Volume 2009. Volume 2009 of *OECD Journal: General Papers* contains four issues.

Subscribers to this printed periodical are entitled to free online access:
www.sourceoecd.org/OECDjournal

If you do not yet have online access via your institution's network, contact your librarian or send an e-mail to **SourceOECD@oecd.org**.

Volume 2009/1

OECD*publishing*
www.oecd.org/publishing

ISSN 1995-2821
VOLUME 2009
(4 ISSUES)
02 2009 01 1 P