



# Current and Emerging Development Challenges for Africa in 2008

This chapter discusses the important global challenges facing Africa in three areas: trade, development financing, and the food crisis. Several structural constraints continue to limit trade performance in Africa. These include lack of diversification, supply side constraints, and low levels of subregional and continental trade integration. In addition to promoting trade capacity, African countries are expected to press for conclusion of the WTO negotiations with pro-development provisions. They also want to ensure that the development dimension is not diluted in the EPA negotiations and need to maintain coordination at the continental level. In this regard, it is essential to accelerate implementation of the Aid for Trade (AfT) initiative by identifying the needs related to standards, infrastructure and trade facilitation.

“  
*Mounting  
challenges to  
improving Africa’s  
trade performance*  
”

Africa also needs to enhance domestic resource mobilization especially as the challenge of financing development is likely to be complicated by the recent global financial crisis. Finally, while the rise in food prices is slowing, many African countries still face the challenge of mounting food shortages due to production constraints and inadequate emergency planning and assistance.

## 3.1 Africa’s trade performance, trade negotiations, and Aid for Trade

Africa faces mounting challenges in relation to improving trade performance and the slow progress of the multilateral and bilateral trade negotiations. Pro-development expectations are attached to the outcomes of the Doha Round and EPA negotiation processes. In addition, the AfT initiative constitutes a major opportunity to operate trading arrangements as an engine of growth. After assessing Africa’s trade performance, this section will focus on developments in the Doha Round negotiations at the WTO and on the EPAs with the EU. The section then examines the implementation of AfT in Africa and examines the African Growth Opportunity Act (AGOA) with the USA.

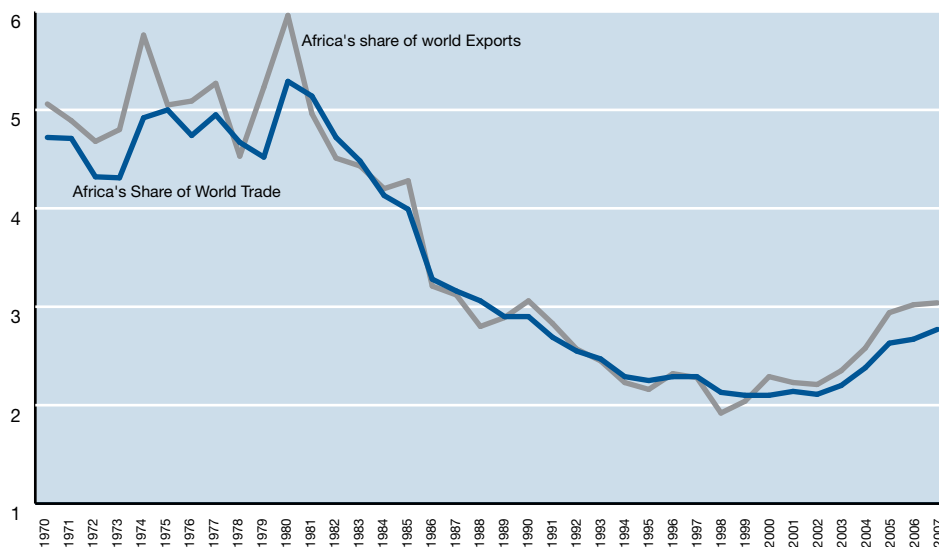
“ Africa remained marginalized in world trade in 2007 ”

### 3.1.1 Africa's trade performance

Over the last few years, Africa has registered some progress in terms of trade performance (figure 3.1). Whereas the position of the continent in global trade remains marginal, these positive trends are likely to be adversely influenced by the current global economic downturn.

In 2007, African total merchandise trade (exports plus imports) amounted to over \$782 billion, accounting for 2.7 per cent of world trade. In terms of the trade growth rate, 30 African countries performed above the world average of 9.26 per cent in 1997-2007. Equatorial Guinea registered the highest average growth rate (36 per cent), followed by Chad (29 per cent), the Sudan and Angola (22 per cent), and Mozambique (18 per cent). In contrast, Eritrea and Zimbabwe registered negative growth rates (-0.85 per cent) and (-0.24 per cent), respectively.

**Figure 3.1**  
Africa's share in world trade (%)



Source: WTO (2008a).

Despite a sustained positive growth, Africa still accounts for a negligible 3 per cent of world total exports. Exports increased by 15.6 per cent between 2006 and 2007 compared to an average growth rate of 20 per cent in the previous four years. African exports are highly undiversified with crude oil and minerals contributing about 70 per cent and agriculture and manufacturing about 30 per cent. On the other hand, Africa's share in world imports was about 2.5 per cent in 2007 and imports grew by 24 per cent in the same year. Imports were mainly concentrated in manufactured

goods (68 per cent of total merchandises imports), followed by fuels and mining products (15.4 per cent) and agricultural products (4 per cent).

Lack of export diversification exposes the continent to severely adverse terms-of-trade shocks such as the one gripping the world economy today. Indeed, the prospects for trade growth in the medium term remain bleak in view of the current financial crisis and falling commodity prices. Sixty per cent of the top ten African exporters are oil-exporting countries and the ten top exporters accounted for 81.5 per cent of African exports in 2007.<sup>1</sup>

The major trading partners of African countries are North America and EU with a cumulative share of exports of over 61 per cent in 2007 (see table 3.1). Asia is gradually becoming a major trading partner with African countries. In 2005-2007, African exports to Asia grew by nearly 50 per cent (WTO 2008a). About 78 per cent of these exports were fuels and mining products.

In 2007, intra-Africa trade remained low despite the positive trends in export growth (table 3.2). At the continental level, less than 10 per cent of total merchandise exports were destined to African countries. This low-level of intra-Africa trade illustrates the weakness of continental integration, highlighting the urgency with which regional economic communities (RECs) should deal with the obstacles, both in terms of policy and investment. West Africa appears to be the most integrated subregion in terms of intra-regional trade 1996-2006.

“ Export concentration increases vulnerability to terms of trade shocks ”

**Table 3.1**

*Africa's total exports by product and trading area in 2007 (\$US billions)*

	World	North America	South & Central America	Europe	CIS	Africa	Middle East	Asia
Agricultural products	34.33	1.61	0.21	16.47	0.63	6.93	1.67	5.67
Fuels and mining products	295.80	82.17	13.20	107.80	0.07	14.33	1.78	63.24
Manufactures	79.76	7.81	1.21	39.21	0.24	17.18	3.33	9.58
Total merchandise exports	424.14	91.87	14.62	167.55	0.94	40.47	10.53	80.88

*Source: WTO (2008a).*

The Economic Community of West African States (ECOWAS) and the West African Economic and Monetary Union (WAEMU), unlike the Common Market of Eastern and Southern Africa (COMESA), have expanded their intra-regional exports faster

<sup>1</sup> The top 10 African countries in terms of exports in 2007 were Nigeria, Algeria, Libya, Angola, Equatorial Guinea and the Sudan (net oil exporters) and South Africa, Egypt, Tunisia, and Morocco (net oil importers).

“  
Intra-Africa’s  
trade share  
almost constant  
”

than their exports to the rest of the world. The average growth rate of the group’s trade (14 per cent) is higher than the intra-group trade growth (10.8 per cent). The Economic and Monetary Community of Central African States (CEMAC) shows the highest disparity with a difference between total exports and intra-group trade of roughly 10 per cent. In terms of the share of intra-group trade in total trade, again ECOWAS appears to be the most integrated subregion, with an average share of nearly 12 per cent, whilst the CEMAC intra-group trade does not reach 7 per cent. The Southern African Development Community (SADC) Arab Maghreb Union (AMU), and WAEMU show similar percentages. African subregions are not well integrated due to major constraints related to infrastructure and non-tariff barriers.

**Table 3.2**  
*Share of intra-regional trade in total African trade (%)*

Selected subregions	2006			1996-2006 Average		
	Share of intra-group trade	Intra-group trade growth rate	Group total trade growth rate	Share of intra-group trade	Intra-group trade growth rate	Group total trade growth rate
Africa	8.33	17.59	21.34	10.57	11.22	12.94
East Africa	14.33	18.85	20.62	9.11	7.52	6.99
Central Africa	0.53	23.59	31.74	6.93	6.18	18.24
North Africa	2.72	23.04	26.49	9.51	12.26	16.80
Southern Africa	..	..	..	..	..	6.59
Western Africa	8.41	8.57	22.44	11.78	14.29	12.82
CEMAC	0.90	23.59	22.25	6.81	6.60	16.08
COMESA	4.22	21.81	29.81	9.12	10.82	14.72
ECCAS	0.57	23.35	31.66	7.00	6.48	18.06
ECOWAS	8.30	8.37	22.02	11.83	14.43	12.91
SADC	9.05	11.77	13.66	8.71	7.38	9.33
WAEMU	13.07	11.13	13.84	8.79	8.28	6.07
AMU	2.01	24.59	26.12	8.11	10.06	15.75

**Source:** UNCTAD (2008).

It is clear from the above that the African trade structure has remained undiversified in terms of products and destination of exports. However, since 2005, Asia is emerging as a new and important trade partner for Africa. This trend is likely to continue given that the increasing presence of Asia in Africa is being reinforced through development cooperation and trade frameworks. Of concern to Africa’s long-term development prospects is the emerging picture that, like the old traditional partners, the trade with Asia is also being focused on extraction of fuels and mining products.

Failure to tackle high trade costs due to poor infrastructure and inefficient trade facilitation continue to make African producers and exporters prefer to trade with

the rest of the world. This has been the case despite the huge potential for developing competitive industries on the continent. The argument that trade among African countries has remained low because of similar production and export structure fails to recognize the potential for developing regional value chains supported by internal tariffs and removal of non-tariff barriers, among other factors discussed in chapter 4. Unless barriers are removed, African countries will not be able to exploit scale economies that would lower production and marketing costs. Moreover, new dynamic industries along the production value chain are unlikely to emerge.

In this context, African countries should continue targeting export diversification as a long-run priority objective and to pursue regional integration as a means for expanding markets and improving Africa's international competitiveness. Moreover, African policymakers should be careful while negotiating with new trading partners and endorse only those agreements that do not hinder the emergence of regional value chains, based on already existing comparative advantages. Governments need to redouble efforts to enhance production and trade capacities at national and regional levels.

“ Intra-Africa trade costs are high due to poor infrastructure and inefficient trade facilitation ”

### 3.1.2 The Doha Round still far from conclusion in 2008

#### *Major issues blocking the WTO negotiations*

Despite the intense efforts undertaken to unlock the Doha negotiations, the divergences persisted into 2008. The resumption and intensification of the talks in early 2008 had provided some hope that the cycle could be concluded during 2008 (see WTO 2008b). However, this hope vanished with the collapse of the ministerial meeting that took place in Geneva in July 2008. This meeting was supposed to be a stepping-stone towards conclusion of the Doha Round and its main objective was to establish the modalities for Agriculture and for the Non-agricultural Market Access (NAMA) that have both remained the major issues blocking progress with the whole Doha development agenda.<sup>2</sup>

Progress was made during the July 2008 meeting with respect to agricultural tariff cuts, the domestic support pillar, and the NAMA negotiations, involving flexibilities and special and differential treatments. The breakdown of the talks occurred during discussion of the new Special Safeguard Mechanism (SSM).

The Doha Round negotiations in 2008 were expected to revolve around the well-articulated Lamy triangle (UNECA 2008a). The Lamy triangle had identified the issues at stake that needed to be resolved in order for a new trade deal to be reached.

<sup>2</sup> Formulas and other methods to be used to cut tariffs and agricultural subsidies, and a range of related provisions under Agriculture and NAMA negotiations.

These issues involved improved agricultural market access from EU, substantial reduction of domestic subsidies by the USA to its agricultural sector and agricultural and industrial market access to advanced developing countries.



*Limited progress in agriculture negotiations in 2008*



In order to capture the issues on which progress was achieved in the Doha Round, the discussion that follows will provide an update on Agriculture, NAMA, Trade Facilitation and Services negotiations which are of particular significance to Africa, vis-à-vis the continent's pro-development positions captured in ERA 2007 (UNECA 2007).

### ***The Agriculture negotiations***

The Agriculture negotiations aim to reform agricultural trade principally in three areas (the “three pillars”): domestic support, market access, and export subsidies and related issues (“export competition”). The 6 December 2008 text and accompanying working documents reflect progress in a number of areas since the draft of July 2008:

- **Overall trade-distorting domestic support<sup>3</sup>** (Amber + *de minimis* + Blue): The 6 December 2008 draft proposals on modalities suggest the following levels of cuts in the overall trade-distorting domestic support (OTDS). EU is to cut by 80 per cent; USA/Japan to cut by 70 per cent; and the rest of concerned Members to cut by 55 per cent. A “down payment” or immediate cut of 33 per cent for USA, EU, and Japan, and 25 per cent for the rest is proposed. The cuts are to be made over 5 years for developed countries and 8 years for developing countries.
- **Amber Box (AMS):** The draft modalities indicate the following cuts for this class of the most distorting domestic support. Overall, EU, which is at the top tier, is to cut by 70 per cent; the USA and Japan to cut by 60 per cent; and the rest to cut by 45 per cent. A bigger cut from some other developed countries, such as Norway and Switzerland is expected since their AMS constitutes a large percentage of production value. The AMS also has a “down payment” or prescribed immediate cuts once the agreement is reached. The text also proposes Amber Box support per product, to be capped at the average of the notified support 1995-2000, with some variation for the USA and others.
- ***De minimis*:** Developed countries are to cut this type of support to 2.5 per cent of production immediately. Developing countries, on the other hand would make two-thirds of the cut over three years to 6.7 per cent of production (no cuts if mainly for subsistence/resource-poor farmers, etc). These

<sup>3</sup> See Economic Report on Africa 2008 for definitions of the various boxes in the Agriculture negotiations.

cuts are to apply to product-specific and non-product specific *de minimis* support.

- **Blue Box (including “new Blue Box”):** Support in this category will be limited to 2.5 per cent of production for developed countries and 5 per cent for developing members with caps per product.
- **Green Box:** The latest text incorporates revisions particularly on income support; to ensure that the support provided under this box is really “decoupled” (i.e., separated) from production levels. Tighter monitoring and surveillance is also proposed.

“No progress in cotton-specific trade issues”

### *Cotton-specific related issues*

The Cotton-4 countries proposal and its motivation remain widely accepted. The intention to cut trade-distorting domestic support for cotton by more than the rest of the sector remains unmodified. With regard to the shaping of the cotton trade framework, modalities not agreed upon in previous rounds did not find any positive resolution in the July 2008 Geneva Round and talks are still at a deadlock. The Blue Box support for cotton is proposed to be capped at 1/3 of what would be the normal product-specific limit.

### *Market Access Pillar*

The tiered reduction formula is still the main approach for cutting tariffs. Products will be categorized by the height of the starting point and those in higher bands will be subject to deeper cuts. The latest draft text has replaced most ranges of possibilities with single numbers that are roughly at the mid-point of the previous range (table 3.3). Developing countries will be expected to apply cuts of 2/3 of the levels required for developed countries.

**Table 3.3**

*Thresholds and required cuts for the tiered formula applying to Agriculture tariffs*

Developed countries		Developing countries	
Tariff band % (Final Bound Tariff rates)	Proposed cuts	Tariff Band % (Final Bound Tariff rates)	Proposed cuts
0 – <20	50%	0 – >30	33.3%
>20 – <50	57%	>30 – <80	38%
>50 – < 75	64%	>80 – <130	42.6%
Above 75	70%	Above 130	44 – 48.6%

Source: WTO Draft Modalities, 6 December 2008.

“  
Some flexibility is granted for specific products that are politically sensitive  
”

The minimum average cut on final bound tariffs that developed country Members would be required to undertake is 54 per cent and the maximum overall average cut for developing countries is 36 per cent. A number of small and vulnerable economies (SVEs) will be subject to a maximum average cut of 24 per cent applied on a discretionary basis without using the tiered formula. Least Developed countries (LDCs) will not be required to make any tariff reductions. Positive progress for developing countries in the revised December 2008 modalities is that they are now required to reduce their final bound tariffs in eleven equal installments over ten years. This is doubled for developed countries where they are required to reduce their final bound tariffs in six equal installments over five years.

### *Sensitive products (SeP)*

As in previous drafts, when it comes to agricultural tariff reductions, the general tiered formula will not apply to all products. Some flexibility is granted for specific products that are politically sensitive. Developed countries are eligible to designate 4 per cent of their product lines as sensitive in exchange for an expanded tariff quota. However, Japan and Canada have declared that they are not in a position to agree to this limitation, with the former requesting up to 6 per cent of its tariff lines as sensitive while the latter is asking for 8 per cent. While a special exception for Iceland, Japan, Norway and Switzerland would allow these countries to maintain tariffs at above 100 per cent for products that are not designated as sensitive, the new text would now limit this to 1 per cent of such tariff lines.

Developing countries would be able to designate 1/3 more of the agreed developed country tariff lines as sensitive. They would also be able to deviate from application of the full effect of the tiered formula by 1/3, 1/2 or 2/3 (see table 3.4).

**Table 3.4**  
*Number, deviation and implementation period of the tiered formula*

	Deviation	No more than following proportion of sensitive lines	Implementation Period (Years)	Full Cut/Longer Period/ Apply in any case (no.)
First Option	1/3	1/2	3	2/3
Second Option	1/2	1/3	2	1/2
Third Option	2/3	1/4	1	2/3

**Source:** WTO Draft Modalities, 6 December 2008.

Developing countries may either take a full formula cut on the remainder of SeP lines but with a three-year longer implementation period than would otherwise be required or apply tariff quota expansions, amongst other options.

In order to balance the reduced effect of the formula by the sensitive lines, mandatory tariff quotas expansions are expected in relation to the abovementioned deviations (table 3.5). This new market access opportunity would be 4-6 per cent of domestic consumption if the 2/3 deviation is applied, half a percentage point less in case of the 1/2 deviation and one point percentage less in case of a 1/3 deviation. For developing countries, the quota expansion would be 2/3 of the amounts for developed countries, and domestic consumption would not include subsistence farmers' consumption of their own produce.

“ Special safeguard mechanism allows developing countries to raise tariffs temporarily ”

**Table 3.5**  
*Tariff cut reductions and quota expansion*

Developed countries		Developing countries	
Deviation from formula	Additional Market Access	Deviation from formula	Additional Market Access
2/3	From 4 to 6%	2/3	From 2.6 to 4%
1/2	From 3.5 to 5.5%	1/2	From 1.75 to 3.6%
1/3	From 3 to 5%	1/3	From 2 to 3.3%

Source: WTO, 2008b.

### *Special products*

This is a very important element of the modalities for African countries, given the rationale and objectives of seeking the designation of special products. It is generally agreed that developing countries should be entitled to self-designate a special products list guided by food security, livelihood security and rural development indicators. Presently, the percentage of tariff lines open to self-designation is 12 per cent, 5 per cent of which would be entirely excluded from any cuts, with the overall average cut being 11 per cent.

It should be noted that a number of developing countries have expressed reservations concerning the numbers specified in the new modalities text. In the case of SVEs, including those which are ceiling-binding and homogeneous low-binding countries, if they choose to apply the moderated tariff formula they would have the additional flexibility of a further 10 *ad valorem* percentage points in each band.

### *Special Safeguard Mechanism (SSM)*

The SSM would allow developing countries to raise tariffs temporarily to deal with import surges and price falls. The blockage in the July 2008 talks was only about import surges and this remains a difficult subject. The main text proposes formula options for the mechanism which include possible disciplines to avoid the safeguard being triggered frequently and suggests when (if at all), and by how much, the

“  
Export  
subsidies to be  
eliminated for  
developing  
countries by 2016  
”

increase in tariffs could exceed present bound ceilings (or “Pre-Doha Round bindings”). An additional paper accompanying the main text offers possible draft text (with options) for when the SSM raises tariffs above pre-Doha bound rates: when it would be triggered, how high the tariff would go, how long it would last, when it could be triggered again, and whether it could be triggered when prices are not falling.

### ***Export Competition Pillar***

#### ***Export subsidies***

Export subsidies should be eliminated by the end of 2013 for developed countries, with half cut by the end of 2010, and details revised for cutting the subsidized quantities in the period. The elimination date for developing countries would be 2016. The text ensures commitments on net food importing and least-developed countries are unaffected.

#### ***Export credit guarantees or insurance programmes***

The activities of these enterprises would be disciplined to avoid hidden subsidies and ensure that programmes operate on a commercial basis. Proposed conditions include limiting the repayment period to 180 days, ensuring that programmes are self-financing (i.e., not making losses over a given period).

For developing countries providing credit, the 180-day maximum repayment term would be reached in three steps over a given period, probably four years (or by 2013 if that is earlier). LDCs and net food-importing developing countries would normally be allowed 360–540 days to repay (previously 360 days). Some additional flexibility in special cases would be allowed, monitored by the WTO Agriculture Committee.

#### ***Agricultural exporting state trading enterprises***

The activities of these enterprises would be disciplined. A key question remains whether monopoly power should be outlawed or just disciplined. The definition of exporting state trading enterprises was simplified in the February text by referring to the relevant provisions in the General Agreement on Trade and Tariffs (GATT).

## *International food aid*

Emergency food aid would be in a “Safe Box” with more lenient disciplines. Emergencies would be declared or appeals made by relevant international organizations such as the United Nations World Food Programme (WFP) and the Red Cross. Other food aid (i.e., not emergency aid) would be monitored to prevent the aid from displacing commercial trade.

The December 2008 text gives the recipient government priority over all food aid operations, emphasizes needs assessment, and gives the United Nations the final say when NGOs assess needs. Despite its causing differences among Members previously, monetization (i.e., selling donated products to raise funds for aid) there are no longer any other options. Monetization may be permitted under certain conditions, both in emergencies and in other situations.

“ Some convergence in 2008 regarding non-agricultural market access ”

## *The NAMA negotiations*

As stated above, some convergence has been reached in this area. This convergence is conditional on agreement on a number of issues at stake in the agricultural negotiations, and no final consensus was therefore found. Building on the text presented in June 2008 before the July mini-ministerial meeting, the 6 December 2008 NAMA revised text was the first to include specific figures, rather than ranges, for the ‘coefficients’ linked to the Swiss formula that would determine the future tariff levels of most major economies, and the figures governing the extent of ‘flexibilities’ for developing nations to shield some products from full duty cuts (see table 3.6). The figures corresponded to those suggested by the Director-General of WTO during the July mini-ministerial, which had, in turn, been drawn from the ranges in the earlier draft agreements put together by the previous NAMA Chair<sup>4</sup>.

As per the terms of the revised text, the developed country coefficient would be 8. What this means is that all of a country’s tariffs would be slashed to below the value of its ‘coefficient’, with lower tariffs cut less sharply across the board. For developing countries that would have to apply this tariff reduction formula, there is a three-option ‘sliding scale’: the higher the coefficient they choose, the less the flexibility or freedom to shelter products from tariff reductions.

<sup>4</sup> Report by the Chairman, Ambassador Don Stephenson, to the Trade Negotiating Committee, Negotiating Group on Market Access, JOB (08) 96, 12 August 2008.

“  
Near  
convergence on  
flexibilities for small  
and vulnerable  
economies  
”

**Table 3.6**  
**The NAMA formula, coefficients and flexibilities**

	Coefficient options	Flexibility A	Flexibility B
Developed Countries	8	No flexibilities allowed	No flexibilities allowed
Developing Countries	20	Less than formula cuts for up to 14% of non-agricultural tariff lines provided that cuts are no less than half the formula cuts and that these tariff lines do not exceed 16% of total value of non-agricultural imports.	Or Keeping tariff lines unbound, as an exception, or not applying the formula cuts up to 6.5% of non-agricultural tariff lines provided they do not exceed 7.5% of total value of non-agricultural imports.
Either			
	Or		
	22	Less than formula cuts for up to 10% of non-agricultural tariff lines provided that cuts are no less than half the formula cuts and that these tariff lines do not exceed 10% of total value of non-agricultural imports.	Or Keeping tariff lines unbound, as an exception, or not applying the formula cuts up to 5% of non-agricultural tariff lines provided they do not exceed 5% of total value of non-agricultural imports.
	Or		
	25	No flexibilities allowed	No flexibilities allowed

Source: WTO (2008b).

An ‘anti-concentration’ clause, designed to constrain developing countries from focusing their tariff-reduction ‘flexibilities’ on a limited number of industrial sectors, would require them to apply full tariff cuts to either 20 per cent of tariff lines or 9 per cent of import value within each chapter of the harmonized system used to classify products for customs purposes.

Also, the new draft revised text indicates the near-consensus that had been achieved on flexibilities for two *de facto* sub-groups of developing countries, namely, small and vulnerable economies. For the non-LDC developing countries with binding caps on fewer than 35 per cent of their industrial tariff lines - dubbed ‘Paragraph 6’ countries which include many of the African countries - it has been accepted that Members with binding coverage of less than 15 per cent of tariff lines would bind 75 per cent of NAMA tariff lines; those with at or above 15 per cent would bind 80 per cent of NAMA lines and each Member would bind at a rate that does not exceed 30 per cent.

Of special significance to Africa, the text also includes the possible special treatment of some countries:

- Botswana, Lesotho, Namibia, South Africa and Swaziland, members of the South African Customs Union (SACU), would have additional flexibilities still to be negotiated; and

- The 32 African LDCs are exempted from tariff reductions; with special provisions for SVEs and for developing countries with low levels of binding. As a result, relatively weaker developing economies would retain higher average tariffs and greater flexibility on how they structure their tariff schedules. They would, nevertheless, contribute to the negotiations by significantly increasing the number of bindings. Bolivia, Fiji and Gabon are singled out as special cases.

“Controversy intensifies regarding non-reciprocal preferences”

An issue which is of paramount importance to African countries is non-reciprocal preferences. The 6 December 2008 draft NAMA texts include provisions that allow EU and USA to take ten years instead of five to phase in Doha Round tariff cuts on some tariff lines, primarily textiles and clothing (and also some fish products for EU). This would at least slow the rate at which preference beneficiaries would have to confront potential displacement by more competitive exporters.

The issue of non-reciprocal preferences has become controversial since the issuance of the July text in relation to the so-called “disproportionately affected” countries. The controversy remains over country scope and product coverage. The countries claiming to be disproportionately affected are Bangladesh, Cambodia, Nepal, Pakistan, and Sri Lanka.

The NAMA issue on which WTO will be looking for “positive results” would be “sectorals”. The sectoral negotiations are one of the most controversial areas of NAMA. Controversial issues include whether there should be sectoral negotiations at all; how these should be structured; the “non-mandatory nature of the negotiations, if they take place, how and when special and differential treatment should be designed and applied; and the exclusion of preference-receiving products or sectors from sectoral initiatives.

### ***The Trade Facilitation negotiations***

On trade facilitation, negotiations are moving forward within sessions of the WTO Negotiating Group on Trade Facilitation (NGTF) and in various configurations. Several proposals have been compiled towards preparation of a text agreement. African trade facilitation issues are better known especially by their contribution of various initiatives (box 3.8). The negotiation measures to be implemented are divided into three categories. Category A measures, which are already being implemented by member States and which are easy to implement would come into force when the Agreement has been signed or 1 year after (discussions ongoing). Category B has those measures that require a transition period, while category C measures, which are difficult to implement, require technical assistance and capacity-building.

### Box 3.1

#### *Trade facilitation in Africa*

It is important to take note of existing initiatives, including technical assistance and support for capacity building, in assessing the trade facilitation needs of African countries. Such initiatives have provided a wealth of knowledge on Africa's trade facilitation needs and, in some cases, implemented activities that have resulted in modest improvement in trade facilitation on the continent. In this regard, it is worth mentioning the Almaty Programme of Action for landlocked and least developed countries, adopted in 2003, that has trade facilitation as one of its priority areas and has identified specific actions to be undertaken; the Sub-Saharan African Transport Policy Programme established by UNECA and the World Bank in 1987 with trade and transport facilitation as one of its areas of focus; trade and transport facilitation programmes of the RECs; and the NEPAD Infrastructure Programme, which includes trade facilitation as an important component.

Africa needs to ensure that the ongoing need assessments are comprehensive, all-inclusive and avoid duplication of efforts. It is even more important to develop a clear implementation strategy for the resultant action plans. The practice of indiscriminately soliciting funds from all potential donors for the same lists of projects has proven to be ineffective and even counter-productive as it creates an impression of lack of focus. A more effective approach would be to categorize projects by sectors (transport, customs, trade etc.) and, based on this, target specific donors in line with their areas of interest. This requires strong monitoring and evaluation capacity and entails effective tracking of the state of implementation of priority projects. Having a clear picture of the projects that have already been implemented and the donors involved as well as those projects that have not secured funding is essential for effective resource mobilization.

*Source: Karingi and Lisinge (2008); Lisinge (2008).*

There is consensus over the first two categories and disagreement is mainly over the third category. Here, the disagreement lies in whether the agreement should be binding with flexibilities or non-binding. Developing countries want the agreement to be non-binding. The measures envisaged in this category would have an implementation plan based on analysis by both beneficiary country and donors. The implementation plan would be expected to spotlight and monitor donors, to ensure that they follow through on their commitments, as there is nothing in the Doha Mandate on donor commitments being binding.

In addition, the implementation plan would be ongoing until all measures are funded. If a country were unable to get a donor then it could not submit a plan. The African Group position is that Category C measures should be non-binding and that acquisition of capacity is a sovereign issue and should be determined by each beneficiary country and not jointly by beneficiary country and donors as proposed by some countries.

## *The Services negotiations*

The elements required for the completion of the Services negotiations have been identified since 26 May 2008. Indeed, the Trade Negotiations Committee (TNC) Chair hosted a “signaling exercise” among a group of Ministers, which took place in July 2008 when the agricultural and NAMA modalities were being discussed. The ministerial-level conference brought participants together from 32 WTO members and provided them with the opportunity to exchange indications on their own new and improved services commitments as well as the contributions expected from others. However, the signals were not intended to represent the final outcome of the negotiations. A number of issues were discussed including the central importance of services sector for economic and social development as well as the conditions for improvement of access for mode 4.

Further discussion is needed on certain issues relating to the level of ambition of the participants, their willingness to bind existing and improved levels of market access and national treatment, as well as specific reference to Modes 1 and 4. These deal with treatment of sectors and modes of supply of export interest to developing countries.

## *Final note on the Doha Round*

In the case of the agriculture text, the Africa Group in Geneva has welcomed the flexibilities given to them as SVEs, LDCs and NFIDCs. However, on the flexibilities for developed countries, the African countries have pointed out that they reserve the right to revert to some issues and that an outcome would not be complete without an agreement on important issues such as cotton preferences, among others.

As for the NAMA text, the African countries generally find the revised December 6, 2008 text acceptable including the provisions relating to paragraph 6 countries, SVEs and LDCs. However, for the Africa Group, there are areas of varying difficulties that need to be resolved:

- The treatment of South Africa and hence SACU. South Africa/SACU are seeking coefficient 22 with 14 per cent flexibility and additional capacity-building measures for Botswana, Lesotho, Namibia and Swaziland.
- The issue of sectoral negotiations.
- The preferences that disproportionately affect some countries.

The African countries would like to see positive aspects that pertain to them safeguarded in the next steps of the negotiations. It must be said that African countries have a great interest in a speedy conclusion of the Doha Round since it will open up

“The elements required for the completion of the Services negotiations have been identified”

“  
Positive gains  
by African  
countries should  
be safeguarded in  
future negotiations  
”

new market access opportunities and promote a fairer and pro-development multi-lateral trading system. However, the Africa Group has pointed out that it will make any outcome of the DDA conditional to the satisfactory solution on cotton, SSM, and preferences, among others which must be addressed as a matter of top priority.

To sum up, the Doha Round of negotiations could not be concluded in 2008 as had been hoped. Due to the single undertaking modality of negotiations, a blockage on a critical issue affects the whole process. Some developments interesting African countries were registered in terms of flexibilities and special and differential treatment on domestic support. These positive results should be safeguarded in the next steps of the negotiations.

### **3.1.3 The state of play of the EPA negotiations:**

By the expiration of the WTO waiver on 31 December 2007 covering the trade relations between the African, Caribbean and Pacific (ACP) countries and EU, none of the four African sub-regional negotiation groupings was able to conclude a comprehensive EPA. What this meant was that the African LDCs had to fall back fully on the Everything But Arms (EBA) initiative, while African non-LDCs were to resort to the General System of Preferences (GSP) trade regime for their exports to EU. In order to avoid trade disruption and be in a WTO-compatible trade regime, all African non-LDCs, except for Nigeria, Cape Verde, Republic of Congo, Gabon and South Africa, initialled Interim EPAs (I-EPAs) to secure market access to EU under a preferential trade regime.

The five African non-LDCs that did not initial the I-EPAs are currently exporting under the GSP, except for South Africa, where trade with the EU is governed by the Trade Development Cooperation Agreement (TDCA), and Cape Verde where trade is under EBA since this country has only recently become a non-LDC in January 2008 and has therefore been granted a three-year transitional period. Exporting under the GSP implies significantly higher tariffs on a number of products compared to the Cotonou regime. These countries had an opportunity to apply for GSP plus regime by 31 October 2008 in order to benefit from improved market access to the EU.

Nineteen countries have initialled I-EPAs in Africa (table 3.7). These I-EPAs were supposed to serve as the stepping-stones towards the conclusion of comprehensive regional EPAs in 2009. The I-EPAs substantively dealt only with the key issues of the trade liberalization schedules of goods but without detailing the development dimension and also with trade related issues, without committing any additional funding. However, it is noteworthy to observe some differences in certain cases, where some interim agreements deal with areas others do not. Differences exist

in market access schedules across I-EPAs, particularly in a subregion such as West Africa where Ghana and Côte d'Ivoire have different schedules and different sensitive products lists. In November 2008, Côte d'Ivoire signed the I-EPA with EU, to become the first African country to take another concrete step towards ratification of the agreements.

The various I-EPAs were seen as undermining the solidarity and regional integration processes in the continent, by introducing several trade regimes within Africa and its subregions. The initialling and eventual signing of individual I-EPAs raised some concerns about the credibility and sustainability of regional integration mechanisms in Africa. In particular, due to the lack of coherence between the I-EPA agenda and regional integration processes.

The I-EPAs have also been faulted for their lack of binding commitment on the part of EU for development support that would fully accompany the policy reforms and adjustment costs that emanate from their implementation in Africa. Several provisions such as the rules of origins, or the MFN clause, have also been cited as not being development friendly. Consequently, current I-EPAs could be considered as classic Regional Trade Agreements (see Karingi and Deotti 2008).

The position for African countries has remained that the negotiations should result in comprehensive regional and pro-development EPAs. The outstanding issues such as those highlighted in UNECA (2008b), which make EPAs simply trade tools rather than development instruments, should be resolved and provisions in the final agreements should be weighed against development benchmarks. A pro-development perspective remains pivotal to reaching the necessary consensus towards full EPAs across Africa. Key contentious issues remain as follows: asymmetry of trade liberalization, TBT and SPS measures, MFN and standstill clauses, rules of origin, trade-related issues, final provisions, and removal of regional integration funding instruments such as in Central and West Africa subregions.

On development financing, the tenth European Development Fund (EDF) was ratified in July 2008. Yet, in view of the complex process, efforts should focus on getting additional resources or structural funds and explore potential domestic resources. Therefore, the already initialled interim agreements may also need to be reviewed<sup>5</sup> to deal with these key issues and ensure that the agreed provisions support the desire for African countries to maintain sufficient policy space for development strategies and to promote, not hamper, the regional integration process across the continent. Con-

“  
EPA  
negotiations  
should be  
comprehensive  
and pro-  
development”

5 Under international law an initialled agreement is an authentic text ready for signature and provisional application. As a document in itself, it does not impose any obligation upon parties, because entry into force takes place only upon ratification. Therefore, if parties have concerns on the initialled text, provisional application should be made to address those clauses that are sources of concern.

sequently, harmonization at the regional level and coordination at the continental level were emphasized. There was an agreement for more consideration of common African positions during the African Trade Ministerial Conference of April 2008.

“  
The  
comprehensive  
EPA is not an  
end in itself  
”

In this respect, an African EPA Template prepared under the auspices of AUC and UNECA works towards possible harmonization of texts based on African common positions. The negotiations are currently taking place at various speeds across the subregions with the objective of reaching a conclusion in 2009.

In the final analysis, while the EPAs are important to African countries, they should not be considered as an end. Countries should continue to negotiate the full regional EPA in a more coordinated process at the continental level. The comprehensive EPAs should be in a position to realize promised development outcomes, including ability to anchor and strengthen regional integration in Africa.

**Table 3.7**  
*The state of play in the EPA negotiations for African countries in 2008*

Subregions	African EPA Countries (47)		
	Initialled (19)	Not Initialled (27)	Signed (1)
Central Africa	Cameroon	Central African Republic, DR Congo, Chad, Gabon, Equatorial Guinea, Republic of Congo, Sao Tome & Principe	
SA	EAC Countries (Burundi, Kenya, Rwanda, Tanzania, Uganda), Comoros, Madagascar, Mauritius, Seychelles, Zambia, Zimbabwe	Djibouti, Eritrea, Ethiopia, Malawi, Sudan	
SADC	SACU Countries (Botswana, Lesotho, Namibia, Swaziland), Mozambique	Angola, South Africa	
West Africa	Côte d'Ivoire, Ghana	Benin, Burkina Faso, Cape Verde, Gambia, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo	Côte d'Ivoire

Source: ICTSD and ACP Secretariat, 2008

### 3.1.4 The Aid for Trade Initiative: recent developments and performance assessment

#### *Recent developments*

The year 2007 provided the opportunities to implement some of the recommendations of the Task Force on Aid for Trade. The focus was on monitoring and evaluation aspects, and a global consensus emerged that the OECD-CRS database should be used to provide a global picture of AfT flows. Most importantly, recipient countries should be able to report whether their AfT needs are being met or not. The

regional reviews of 2007 provided a platform to raise awareness, share information and create incentives amongst stakeholders to implement and monitor AfT.

In 2008, AfT increasingly became an important political and economic complement to the trade negotiations and its support is essential to successful conclusion of the negotiations. In the case of Africa, three areas remain as the main priorities: Standards, Infrastructure and Trade Facilitation.

In February 2008, the WTO Committee on Trade and Development approved the AfT Roadmap aiming at creating a specific action plan by merging the conclusions and recommendations put forward at the Global Review of Aid for Trade (WTO 2008c). The emphasis was put on increasing developing country ownership of AfT, monitoring implementation with a focus on country, regional and sectoral priorities, and launching a programme to develop performance indicators and strengthen self-evaluation.

In Africa, UNECA, AfDB and WTO are jointly working on some of the continent's specific regional issues such as identifying bankable regional and national projects in the priority areas of Infrastructure, Trade Facilitation and Standards. The three continental institutions coordinate with the RECs and individual countries in the identification of bankable projects, including their implementation timeframes. They are also working on establishing an African AfT Network and contributing to the review and development of monitoring and evaluation indicators for effective AfT implementation.

Of particular significance, AfT is about investing in developing countries and it is fundamental for African countries that the initiative reaches its full potential as soon as possible, and that aid flows meet the right needs of beneficiary countries. So far, there is general support for breaking the monitoring issue into three elements: AfT flows, AfT resource use and trade performance, assessment of trade development needs to integrate them into the design of national development strategies, and building collaborative partnerships between donors and beneficiaries.

In selecting the indicators, the importance of complementing macro-indicators to provide the means of monitoring overall progress at the global level, with micro-indicators, was recognized. This complementary approach was more suited to monitoring progress in detail at country and subregional levels, to better understand how AfT works and can be mobilized.

***Aid for Trade Supply: 2002-2006 snapshots***

The long-term evolution of AfT has been negative for over 20 years, with trade-related assistance sharply declining since the mid-1970s (OECD 2008). However,

“  
The WTO  
Committee on  
Trade and  
Development  
approves the AfT  
Roadmap  
”

“ AfT mostly used to build infrastructure and productive capacity ”

this trend has been reversing since 2000. There has been a significant increase since the new Millennium with a 2002-2006 average growth of 24 per cent. It is reasonable to link the AfT initiative with reversing of the declining trend that had started (see table 3.8). However, as an issue raised by the advocates of the initiative, including UNECA, increase in AfT should in no way be detrimental to other aid-related projects and programmes. It is important that AfT finance is additional and is not merely a re-labelling of funds that would have been used under other development initiatives.

From this view, recent trends are welcomed. Global ODA increased by 19 per cent during 2002-2006. While the average growth rate for AfT funds has been 12 per cent totalling \$29 billion in 2006, non-AfT funds have grown at a higher average rate of 22 per cent. A similar picture is seen in Africa, with AfT funds growing at an average rate of 13 per cent reaching \$10.5 billion in 2006. Furthermore, funds that were not AfT related grew at 28 per cent.

**Table 3.8**  
**ODA and AfT in Africa (\$US millions)**

Africa	2002	2003	2004	2005	2006	Average Growth 2002-2006 (%)
Total ODA to Africa	22,110	31,545	34,815	41,674	50,625	23.55
Growth rates (%)		42.67	10.37	19.70	21.48	
Total AfT to Africa	6,541	7,631	9,038	9,536	10,560	12.84
Growth rates (%)		16.66	18.44	5.51	10.74	
Non-AfT to Africa	15,569	23,914	25,777	32,138	40,065	27.68
Growth rates (%)		53.60	7.79	24.68	24.66	

**Source:** Calculations based on OECD data (2008).

During 2002-2006, economic infrastructure and building productive capacities accounted for over 76 per cent of AfT to the world (see table 3.9). This AfT focus is not surprising since trade capacity constraints in terms of infrastructure and production are huge in Africa and must remain at the top of any overall aid strategy to help African economies enhance their trade performance. AfT finance to LDCs topped \$6.4 billion in 2006, up just 0.4 per cent from 2005. It is also important to note that AfT to African LDCs grew by only 5.9 per cent in 2005 and 0.4 per cent in 2006. The share of AfT to LDCs in total AfT to Africa was over 61 per cent in 2006, down from 67 per cent in 2004.

**Table 3.9**  
**Total AfT by WTO category<sup>6</sup>, (\$US millions)**

AfT Category Description	2002	2003	2004	2005	2006	Total 2002-2006
Economic infrastructure	7727	8907	13709	12219	12464	55026
Building productive capacities (including trade development)	5829	8341	9104	9042	9906	42222
Trade policy and regulations	685	550	477	655	1044	3411
Trade-related adjustment	4628	5890	5239	5428	5509	26694
Total AfT per Year	18869	23688	28529	27344	28923	127353

**Source:** Calculations based on OECD (2008).

However, it is also worth noting that AfT funds to African LDCs are not being diverted from other developing countries in Africa. AfT flows of ODA to countries other than LDCs in Africa have been growing positively for the last five years, jumping from \$2.6 billion in 2002 to over \$4 billion in 2006. The same can be said when comparing AfT funds to other forms of aid flows. In terms of allocation of AfT, trade-related adjustment accounted for over 45 per cent of total AfT to African LDCs during 2002-2006, economic infrastructure for nearly 28 per cent, building productive capacities for 24 per cent and trade policy and regulations for just over 3 per cent (see table 3.10).

**Table 3.10**  
**AfT flows by selected RECs, 2002-2006 (\$US millions)**

REC	2002-2006				Total AfT
	Economic Infrastructure	Building Productive Capacities (including Trade Development)	Trade Policy and Regulations	Trade-related Adjustment	
COMESA	5709.32	5362.3	474.68	5379.73	16926.03
SADC	3286.75	3480.99	49.81	6510.33	13327.88
ECOWAS	3123.89	3202.57	236.12	4629.3	11191.88
UMA	2257.52	930.23	55.6	175.2	3418.55
CEMAC	880.62	486.27	0.94	551.7	1919.53

**Source:** ECA calculations based on OECD (2008) data.

6 Currently, the OECD-CRS does not have a proxy for the WTO category “other trade-related needs” but intends to introduce a marker within the CRS to separate trade development from the broader category of building productive capacities.

## 3.2 Tracking performance and progress in the implementation of commitments on financing for development

“ *Increasing public revenue mobilization in many African countries* ”

The Monterrey Consensus on Financing for Development, which was adopted by the international community in March 2002, has become an important framework for mobilizing financial resources for development. This subsection of the report reviews recent developments and assesses progress in the implementation of commitments on financing for development in Africa.

### 3.2.1 Domestic resource mobilization

The Monterrey Consensus recognizes domestic resource mobilization as the foundation for self-sustaining development. Although externally generated resources can play an important role in financing Africa's development, such resources should complement rather than substitute for domestic resources in financing national development priorities. Against this backdrop, African countries have agreed to mobilize additional domestic resources for financing MDGs through:

- Promoting sound macroeconomic policies
- Strengthening good governance
- Ensuring greater transparency and efficiency in resource mobilization and utilization, and
- Creating a conducive environment for private sector development.

The international community can play an important complementary role in supporting national efforts aimed at revenue mobilization. The Monterrey Consensus called on development partners to support national revenue-raising efforts, through capacity development in tax administration, reducing capital flight and fighting tax evasion.

African countries have made considerable efforts to implement policies in key areas of their economic frameworks, which have contributed to increased revenue mobilization. For example, government revenue, excluding grants as a percentage of GDP increased from 24.3 per cent in 2003 to 29.3 per cent in 2006. The increase in revenue mobilization has been observed across a large number of African countries, including resource-rich and non-resource rich countries. In terms of distribution of government revenue, the number of African countries with government revenue as per cent of GDP in excess of 20 per cent increased to 28 in 2007 compared to 24 in 2003.

Rising domestic revenue has also translated into improved domestic savings. For example, gross domestic savings as a percentage of GDP in Africa increased from 22.6 per cent in 2000 to nearly 24 per cent in 2006. The performance of gross domestic savings was even better for SSA countries, rising from 21.1 per cent in 2000 to 25 per cent in 2006. However, gross domestic savings ratios for North African countries declined from 24.7 per cent in 2000 to 21.1 per cent in 2006.

“  
Gross  
domestic  
savings rates  
also increased  
”

A large number of African countries have seen improvement in savings mobilization. For example, the number of countries with a negative savings ratio declined from 10 in 2000 to 5 in 2006. On the other hand, the number of countries with savings ratios in excess of 25 per cent increased from 8 in 2000 to 10 in 2006. Several resource-rich countries<sup>7</sup> experienced substantial increase in savings ratios in excess of 30 per cent. This gives these countries much needed policy space to increase public investment in activities and sectors critical to meeting the MDGs, including infrastructure such as transport, power and telecommunication.

Efforts to strengthen revenue collection institutions and improve efficiency in tax administration have contributed to increased domestic revenue. The substantial rise in government revenue has been due to increased commodity prices. It is therefore unlikely that the huge increase in government revenue can be sustained in the long run. This is especially true given the boom-bust cycle characterizing commodity prices. This calls for sustained efforts aimed at:

- Increasing government revenue through broadening the tax base;
- Enhancing efficiency and transparency in tax administration; and
- Supporting measures aimed at improving management of the commodity price bonanza.

One approach that has been used successfully in Latin America and the Caribbean is stabilization funds with in-built savings mechanisms. Income gains resulting from positive commodity price shocks are saved for rainy days.

Furthermore, corruption-linked capital flight remains a serious problem in many African countries, undermining the resource mobilization for development. African countries need to strengthen measures aimed at eliminating corruption in all its manifestations. This must be supported by measures at the international level. In this regard, the outcome document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, adopted in Doha, Qatar on 3 December 2008, commits countries to strengthen national and multilateral efforts to address factors that give rise to capital flight (UN 2008). It calls for effective implementation of measures aimed at pre-

<sup>7</sup> These include Angola, Botswana, Chad, Congo Republic, Equatorial Guinea, Gabon, Namibia, Nigeria and Zambia.

venting the transfer of stolen assets and facilitating the recovery and return of such assets to their countries of origin in consistence with the United Nations Convention against Corruption.

“  
Capital  
markets remain  
shallow and  
relatively illiquid”

In addition to public savings, African countries need to tap into private savings for financing development. They have implemented measures to strengthen financial sector development, including financial sector reform, and deregulation to enhance efficiency in resource allocation through greater competition. Liberalization and deregulation of the banking sector has led to entry of new banks, especially foreign banks, and this has increased competition in the banking sector. However, increased competition has not led to substantial reduction in interest rates in most African countries. This is probably due to the inefficiency of banking institutions, which is reflected in high interest rate margins. This discourages private investment.

Capital market development is shallow and illiquid and is thus unable to play a meaningful role in savings mobilization. Furthermore, due to their smallness and illiquidity, African stock exchanges are not able to mobilize external finance, especially portfolio equity for development. In this regard, African countries need to consider the benefits of a regional approach to capital market development. This would help overcome the problems associated with smallness and with illiquidity of capital markets by making it possible to pool resources for national and regional development.

Although banks dominate the financial sector in Africa, they have been ineffective in savings mobilization due to their reluctance to open branches in the rural areas. Consequently, a large proportion of the population is un-banked. Therefore, micro-finance institutions can play an important role in mobilizing resources for development. More importantly, the development of micro-finance institutions can go a long way toward breaking the vicious cycle of poverty.

### **3.2.2 Official Development Assistance**

#### *Aid quantity*

A number of commitments have been undertaken by developed countries to scale up resources for Africa's development. At the Monterrey Conference on Financing for Development, they undertook to make efforts toward meeting the 0.7 ODA to GNP target to developing countries set by the United Nations. Furthermore, at Gleneagles, the G-8 leaders made a commitment to increase ODA to Africa by \$25 billion a year by 2010, relative to 2004.

Assessment of the delivery of aid commitments shows mixed results. The international community has made credible efforts to scale up aid resources to African countries in order to enable them to finance their MDGs (table 3.11). Total net ODA to Africa, which increased to a record \$43.4 billion in 2006, declined by 10.8 per cent to \$38.7 billion in 2007. Similarly, Africa's share in total aid also declined to 36.9 per cent in 2007 compared to 41.2 per cent in 2006. The drop in ODA flows in 2007 was mainly due to the decline in debt relief.

“ Only a few countries have met the 0.7 per cent ODA to GNP target ”

**Table 3.11**  
**Net ODA flows to developing countries (% of total)**

	1990	2000	2001	2002	2003	2004	2005	2006	2007
Africa	44.0	31.2	32.3	35.8	38.4	37.4	33.0	41.2	36.9
Europe	2.5	7.4	6.4	8.3	4.9	4.6	3.8	4.8	4.0
America	9.2	9.7	11.3	8.3	8.6	8.6	6.2	6.8	6.5
Asia	31.6	32.0	32.3	31.4	28.6	28.9	42.3	31.0	33.3
Oceania	2.4	1.6	1.5	1.2	1.2	1.2	1.1	1.1	1.2
Developing countries unspecified	10.3	18.0	16.2	15.0	18.4	19.4	13.8	15.2	18.1
All Developing countries (\$ billion)	57.0	49.9	51.9	60.6	70.7	78.9	107.7	105.6	105.1

**Source:** OECD, *International Development Statistics, DAC Online Database* (accessed in October 2008).

Despite commitments to increase ODA flows to Africa, only a handful of countries have met the 0.7 per cent ODA to GNP target set by the United Nations. However, EU has made a commitment to reach an ODA to GNI target of 0.56 per cent by 2010. This is welcome and represents an important first step towards meeting the overall target of 0.7 per cent.

The decline in ODA flows to Africa is worrisome, especially given its critical importance in financing social infrastructure and other vital development programmes. In fact, ODA remains the largest component of external finance for many SSA countries. The Doha Declaration reaffirms the importance of foreign aid and urges donor countries to increase aid consistence with their commitments. This has become important in light of reduced developing country access to private capital, on account of the current global financial crisis. The Declaration also calls on donor countries to establish rolling indicative timetables showing how they intend to reach their goals on aid quantity.

An important feature of recent aid flows to Africa has been the significant shift in its sectoral composition, away from productive activities in favour of social sectors. According to data from OECD-DAC, the share of the productive sector in aid allocation declined considerably from 15 per cent in 2002 to 8 per cent in 2006. On the other hand, the proportion of aid directed to social sectors rose to nearly 70 per

“  
China and  
India are by far  
the largest non-  
DAC development  
partners for Africa  
”

cent in 2006, up from 60 per cent in 2002. This is indeed worrisome, given the importance of productive capacity development for the achievement of the MDGs. In this regard, donors should ensure that increased aid is allocated to productive sectors and other activities with greater impact on employment creation and poverty reduction.

The emergence of new non-OECD DAC bilateral donors, private entities as well as vertical funds, has also increased the resource envelope for development in Africa. China and India are by far the largest non-DAC development partners for African countries. The impact of their engagement has been particularly evident in the development of much needed infrastructure, including roads and power. Other new entrants in Africa such as Malaysia, the United Arab Emirates and others are also playing an important role, albeit to a lesser extent. Given concerns raised around issues of transparency in the way new actors are dealing with African countries, it would be advisable for African countries to embed the Paris Declaration principles into their development cooperation framework with the new non-OECD DAC partners. Some African countries such as South Africa are already doing this.

### *Aid quality*

The quality of aid is as important as its quantity. The way aid is delivered and managed influences significantly its development impact in recipient countries. It was this recognition that led to the adoption of the Paris Declaration on Aid Effectiveness in 2005. The declaration contains actionable and time-bound commitments with clear targets around five core principles. These include: ownership, alignment, harmonization, mutual accountability and delivering for results. Since it was adopted in 2005, the Paris Declaration has emerged as the key framework for addressing issues related to aid effectiveness. The 2008 OECD Survey of Monitoring the Paris Declaration shows that, although progress has been made in several areas, it is unlikely that most of the key targets will be met by 2010.

For example, in the area of ownership, the survey results show that, although some progress has been made, only 24 per cent of partner countries have an operational development strategy linked to Medium Expenditure Framework. Based on this recognition, the Accra Agenda for Action, which was adopted at the Third High Level Forum on Aid Effectiveness, held in Accra, Ghana 2-4 September 2008, calls on partner countries to strengthen ownership of their development programmes through strengthened engagement of parliaments and other non-state actors. Donor countries undertook to strengthen the use of a system for partner countries as well as enhancing transparency of their procurement system so as to facilitate greater competition by local and regional firms. Furthermore, in the Accra Agenda for Action, development partners undertook to work closely together to arrive at a limited set

of mutually agreed conditions based on national development strategies. This would reduce the use of conditionality in development assistance.

Another serious challenge to aid effectiveness is aid volatility, which affects African countries disproportionately (World Bank 2008). It was estimated in 2008 that 46 per cent of aid was predictable, compared to 41 per cent in the 2005 baseline period. However, this is considerably below the 71 per cent target for 2010. Aid volatility undermines development planning. If the effect on aid volatility is factored in, data show that aid flows should be discounted by 15-20 per cent. Therefore, the commitment by partner countries at the Doha Follow-up International Conference on Financing for Development to improve aid predictability by providing recipient countries with regular, timely, indicative information on planned support in the medium term is welcome. It would certainly go a long way towards reducing aid unpredictability.

“  
Aid volatility  
a serious  
challenge to aid  
effectiveness  
”

Aid fragmentation also remains a serious challenge to aid effectiveness. The problem is complicated by the proliferation of donors implementing a plethora of individual stand-alone projects in Africa. According to the 2008 OECD Survey of Monitoring the Paris Declaration, only 20 per cent of missions were coordinated in 2008, an increase of 2 per cent over the 2005 baseline. Hardly any progress has been made in coordinating country analytical studies. There is need to strengthen harmonization and coordination among development partners. EU adopted a Code of Conduct on Division of Labour and Development Policy with 11 guiding principles. This should reduce the transaction cost of aid through encouraging greater harmonization and coordination among the development partners within and across countries. The Accra Agenda for Action commits donor and partner countries to make efforts to reduce aid fragmentation by improving the complementarities of their efforts and through greater division of labour.

Tied aid also continues to undermine the effectiveness of aid in recipient countries. It limits the flexibility of recipients to shop around, thus making it impossible for them to maximize the full benefits of aid. Several OECD-DAC members are making efforts to reduce tied aid. Furthermore, DAC countries have already made the decision to extend the coverage of the 2001 OECD recommendation on untying aid to eight non-LDC countries eligible under the HIPC initiative.

### **3.2.3 External debt**

The HIPC initiative has served as an important global framework for addressing the debt problem of developing countries. This has further been strengthened by several international commitments including the United Nations Millennium Declaration as well as the Monterrey Consensus of 2002. However, it was not until the

“ Substantial progress has been made in the area of debt relief ”

G-8 summit at Gleneagles in 2005 that bold efforts were taken to address the debt crisis facing developing countries. The G-8 leaders agreed to cancel all debts owed by countries eligible under the HIPC initiative, to the International Development Association (IDA), IMF and the African Development Fund. The Multilateral Debt Relief Initiative (MDRI) was launched to supplement the HIPC initiative.

Substantial progress has been made in the area of debt relief. In fact, it is one of the areas of the Monterrey Consensus where progress has been the most significant (UNECA 2008). For example, a large number of eligible countries (19 African countries) had reached their HIPC completion points as of July 2008 and thus qualified for debt relief. Eight other countries are between the decision and completion points, while 6 African countries are yet to reach the decision point. As a result, net debt relief to African countries, which rose from \$1.5 billion in 2001 to \$15.2 billion in 2006, dropped precipitously to \$3.7 billion in 2007.

Debt relief has contributed to the reduction of Africa’s external debt. Africa’s total external debt declined from \$279.3 billion in 2000 to \$260 billion in 2007 (table 3.12). Similarly, total external debt as a percentage of GDP declined to 23.7 per cent in 2007, down from 62.8 per cent in 2000. Debt service ratio (expressed as a percentage of total exports) also declined from 17.5 per cent in the 2000 to 7.8 per cent in 2007, thanks to debt relief and favourable external conditions, especially high commodity prices. However, total debt service payments rose from \$27.2 billion in 2000 to \$ 33.4 billion in 2007.

**Table 3.12**  
*Africa’s external debt, 2000-2009*

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Total External Debt (billions of current US\$)</b>										
Africa	279.3	270.7	275.7	297.6	313.0	282.7	235.5	260.6	279.0	300.5
Africa: Sub-Saharan	224.6	219.1	222.2	239.7	255.0	233.0	195.7	217.4	235.2	255.6
<b>Total External Debt (as a % of GDP)</b>										
Africa	62.8	62.6	60.1	51.4	43.9	34.0	24.7	23.7	20.6	20.1
Africa: Sub-Saharan	67.4	68.4	65.3	54.9	47.0	36.4	26.4	25.4	22.4	21.7
<b>Total External Debt (as a % of exports of goods and services)</b>										
Africa	180.3	183.6	179.7	154.0	126.8	90.6	63.8	60.7	48.0	49.6
Africa: Sub-Saharan	198.2	205.0	198.9	168.7	139.4	101.3	71.3	68.2	55.3	56.5
<b>Total External Debt Service (as a % of exports of goods &amp; services)</b>										
Africa	17.5	18.0	14.4	14.1	12.1	13.8	18.1	7.8	5.2	5.6
Africa: Sub-Saharan	15.2	16.7	11.8	12.4	10.3	14.0	17.5	8.3	5.4	6.2

**Source:** International Monetary Fund, World Economic Outlook Database, October 2008.

Despite progress in debt relief, a number of challenges remain. Although the debt burden of African countries has declined, debt ratios in a number of post-completion point African countries are starting to deteriorate. Furthermore, in recent years, a number of countries have emerged as new creditors to African countries, with China and India being the largest. While this is a welcome development as it increases the availability of resources for financing development, mechanisms are needed to ensure that their activities do not undermine debt sustainability in Africa.

Vulture fund litigation has become a serious problem, which can potentially undermine gains made by debt relief in several African countries. In this regard, the Doha Declaration of the Follow-up International Conference on Financing for Development welcomes recent steps taken to prevent aggressive litigation against countries eligible under HIPC, including through improvement of debt buy-back mechanisms. It also called for the provision of technical assistance and for legal support to countries facing litigation.

“Vulture fund litigation has become a serious problem”

#### **3.2.4. Private flows**

The Monterrey Consensus on Financing for Development recognizes private international capital flows, especially FDI, as an important complement to domestic resources and ODA. Indeed, FDI is the most effective way of financing sustained long-term economic growth. It contributes to economic growth and development through transferring knowledge and technology, creating employment and boosting productivity, which in turn enhances a country's competitiveness. In order to reap benefits from increased private international flows, African countries committed themselves to creating conditions conducive for mobilizing private capital, through improving the investment climate, promoting sound macroeconomic policies, enforcing contracts and respecting property rights.

On its part, the international community pledged to support national efforts through encouraging foreign investment in infrastructure and other priority sectors. In the context of capacity development for RECs, the 2007 G-8 Summit at Heiligendamm, Germany undertook to support implementation of the NEPAD Infrastructure Short Term Action Plan (STAP) as well as the Infrastructure Consortium.

As mentioned in chapter 2, the macroeconomic policy environment has improved considerably in a number of African countries. Through the NEPAD Investment Climate Facility for Africa, efforts are being made to strengthen the investment climate in Africa. The World Bank's "Doing Business" report shows that doing business in Africa is getting easier thanks to implementation of reforms that reduced the cost of starting and running a business (World Bank 2008).

“ Net private capital inflows to SSA increased significantly in recent years ”

As a result, net private capital flows to SSA have increased significantly in recent years, from \$12.2 billion in 2001 to \$38 billion in 2006 and further to \$56.6 billion in 2007 (table 3.13). This increase in net private flows was due to increases in FDI and private debt flows. FDI inflows grew from \$15.1 billion in 2001 to \$25.3 billion in 2007. The increase in FDI flows in 2007 was due to \$5.5 billion investment by the Industrial and Commercial Bank of China for acquisition of a 20 per cent equity stake in Standard Bank South Africa. Despite the increase in FDI flows to Africa, the continent's share of global FDI flows has dropped to 2.3 per cent in 2007, down from 3.2 per cent in 2006.

**Table 3.13**  
**Net private flows to sub-Saharan Africa (\$US billions)**

	1999	2000	2001	2002	2003	2004	2005	2006	2007
Net Private Capital flows	17.4	10.2	12.2	7.2	15.1	23.6	32.4	40.1	56.6
Net Equity flows	18.7	11	14.2	10.1	15.1	19.2	24.7	32.2	35.5
Net FDI inflows	9.7	6.8	15.1	10.5	14.4	12.5	17.3	17.1	25.3
Net portfolio equity inflows	9	4.2	-0.9	-0.4	0.7	6.7	7.4	15.1	10.2
Net Private debt flows	-1.3	-0.8	-2	-2.9	0	4.4	7.7	7.9	21.1
Workers' remittances	4.4	4.6	4.7	5	6	8	9.3	10.3	10.8

**Source:** World Bank, *Global Development Finance*, 2008.

Investment in the infrastructure sectors in Africa has also increased in recent years (UNCTAD 2008). This has been driven by liberalization and deregulation of the infrastructure industry. For example, FDI in transport, storage, and communication sectors grew from \$132 million in 1990 to \$12.8 billion in 2006. This is a welcome development given the poor quality of infrastructure in Africa. South-South investment in infrastructure has assumed considerable importance in recent years, with China emerging as the largest investor in the infrastructure industry in SSA.

Net portfolio equity flows declined by \$6.9 billion to \$10.2 billion in 2007. This was accounted for by a large decline in portfolio equity to South Africa, reflecting increased risk aversion by foreign investors due to the global credit crisis and the decline in the holdings of South African equity by non-residents (World Bank 2008). Another noteworthy development was the issuance of \$750 million Eurobond by Ghana in September 2007, making it the first HIPC country to issue an external bond. Gabon also issued a \$1 billion 10-year Eurobond in December 2007.

Remittances have also become an important source of development finance for SSA countries. Such flows increased from \$4.6 billion in 2000 to \$10.8 billion in 2007. This figure, however, underestimates the true size of remittances to SSA since the

bulk of remittances are directed through unofficial channels.<sup>8</sup> This is due to the underdeveloped nature of financial markets in many African countries, as well as the high cost of transferring money.<sup>9</sup> Moreover, remittances to Africa, especially SSA represent a small proportion of global remittance market and are insignificant relative to flows to other developing countries. Therefore, African countries need to put measures in place to mobilize more remittances and to channel them through the financial system so as to leverage their developmental impact. In this way, they could provide a pool of investment resources, which could be accessed by potential entrepreneurs for business investment and expansion.

“  
*Financial crisis underline the need to reform global financial governance*  
”

### 3.2.5 Systemic issues

The Monterrey Consensus committed developed and developing countries to strengthening governance of the international financial, monetary and trading systems. It also called for greater coordination among international institutions in charge of financial, monetary and trade policies to ensure coherence and complementarities of policies in support of development. Some progress has been made in improving the governance of some international institutions, especially the WTO. For example, several African Trade Ministers now play key roles in international trade negotiations under the Doha Round. However, with regard to improving the participation and voice of African countries in international financial institutions, including the IMF and the World Bank, progress remains slow. The World Bank has initiated reforms to strengthen the voice and participation of developing countries in the governance and decision-making structure of the World Bank Group. The World Bank's Board approved a decision recently to increase Executive Directors for Africa to three from the current level of two. This is a step in the right direction. However, more remains to be done to increase Africa's voice and participation in the World Bank Group as well as in other institutions of global governance such as the G-20.

The current global financial crisis underscores the importance of improving governance of international financial and monetary institutions. Furthermore, while measures taken by several developed countries are important in addressing the impact of the crisis in the short term, more long-term measures are needed to ensure proper regulation of the financial sector. This is key to reducing future disruptions to the international financial system.

---

8 For example, unofficial remittances to the Sudan are said to be 85 times higher than the official flows (Sandler and Maimbo, 2003).

9 For example, Ratha, Mohapatra and Plaza (2008) estimate the cost of sending \$200 from London to Nigeria at roughly 14 per cent of the amount remitted. However, the cost of sending the same amount from neighbouring Benin to Lagos, Nigeria is as high as 17 per cent.

## 3.3 The food crisis and its impact on Africa

### 3.3.1 Trends and determinants of food prices

*Recent increases in food prices encompassed almost all commodities*

The world has experienced a dramatic increase in the international prices of basic food commodities in recent years. The FAO Food Price Index rose by 8 per cent in 2006 and by a further 24 per cent in 2007 and was 53 per cent higher in the first quarter of 2008 than in 2007. Africa is one of the most affected regions by the high food prices. For example, in Cote d'Ivoire, rice prices in March 2008 were double their level a year earlier, and in Senegal wheat prices by February 2008 were twice the level of a year earlier while sorghum was up 56 per cent.

The recent hike in food prices distinguishes itself from previous ones in its duration and breadth. The increase has affected nearly all food commodities, although to different degrees. In addition, there has been much greater price volatility than in the past, and the length of its duration has also lasted longer than in the past.

Many food commodity prices that started to increase since 2001 are likely to remain high in the medium term compared to their historical levels (IFPRI 2008; IMF 2008; and figure 3.2). Food commodity prices for the next ten years are likely to be higher than during the previous ten years, even though a decline is expected in 2009 and 2010 as supply and demand respond to high prices as a result of the global economic recession. However, future food prices are surrounded by uncertainty.

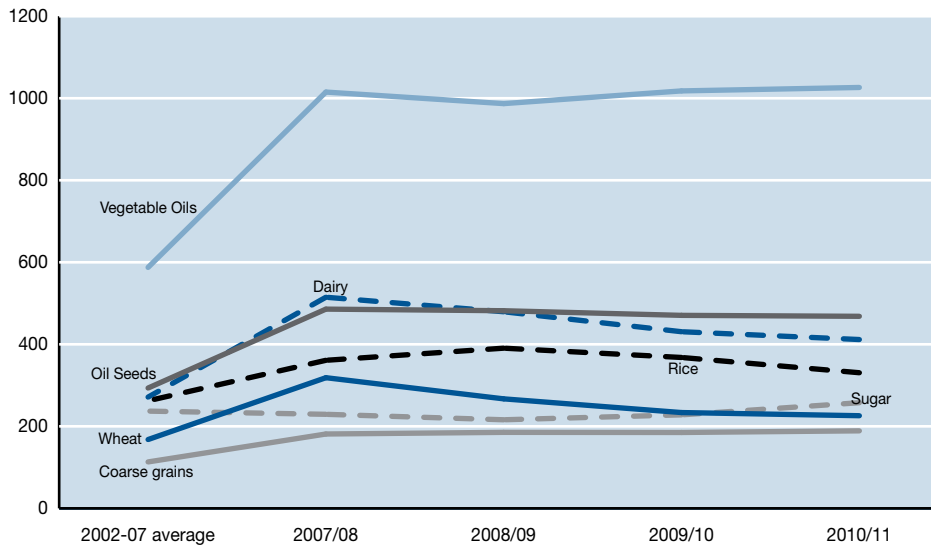
Temporary factors, such as droughts or even the global recession might wane, but changing demand patterns, higher fuel and fertilizer prices and climate change are more structural. Higher prices today should in principle lead to higher production and lower future prices. Yet, the effects of climate change on agricultural production and the demand for bio-fuels create considerable uncertainty and render market reaction highly unpredictable.

One of the structural factors behind the recent food price increases is the decrease in global food stocks, which is an indication that production of food has been lagging behind growth in consumption. For example, rice and wheat stocks are now about 200 million metric tons compared to 350 million in 2000<sup>10</sup>. The steep increase in the price of these products is not only caused by production shortfalls but also by demand to replenish the depleted stocks.

<sup>10</sup> Asian Development Bank. Special Report on Food Prices and Inflation in Developing Asia, April 2008, p.5.

**Figure 3.2**

**World food price forecasts (USD per 100 kg for dairy and per ton for others)**



“Increases in food prices are mainly due to structural factors”

**Source:** OECD/FAO (2007).

**Note:** Dairy consists of the unweighted average of butter, cheese, skim, whole milk powder, and casein.

Another important factor is the increase in oil prices that have triggering high food prices via the increased cost of production and marketing<sup>11</sup>. A third factor is the growing world population and income, especially in emerging countries such as China, Brazil and India. The income factors are associated with changes in diet resulting in increased demand for meat and dairy products, which in turn has led to increased demand for animal feed. Over the last 15 years, meat consumption more than doubled in China and grew by 70 per cent in Brazil and 20 per cent in India. As the dietary habits in emerging economies shift more in favour of livestock products, the demand and hence the price of grains will continue to rise under normal economic conditions. Production of one kilogramme of beef requires seven kgs of grains.

Increasing demand for grains for the production of bio-fuels has also contributed to high food prices by diverting grains, sugar, soybean and vegetable oil from being used as food and feed. Finally, there is also strong evidence that agricultural land is being increasingly used for commercial and industrial purposes as urbanization increases. The channels through which changes in global food prices translate into higher domestic food and consumer prices can vary across countries (box 3.2).

<sup>11</sup> Petroleum prices and food prices are highly correlated, with an estimated correlation coefficient of 0.6.



Food  
shortages  
affected most  
African countries



### Box 3.2

#### Channels of transmission of international food price changes to domestic food markets

The main factors determining the extent of the pass-through of global food prices into the domestic economy are: exchange rate movements between trading countries; domestic policies, such as taxes and subsidies of the recipient country; and the extent of the integration of the domestic food market with the international commodity market.

Domestic prices are denominated in local currencies, whereas most international food and commodity prices are in US dollars. Therefore, exchange rate movement between currencies can influence the relationship between domestic and foreign prices. Although there is no formal evidence, these movements have undoubtedly contributed to higher domestic food prices as most African currencies appreciated over the last few years.

The impact of food prices on domestic inflation also depends to some extent on the share of food in household consumption. During 2005-2007, headline inflation has accelerated in 16 out of 17 countries surveyed. On average, food price inflation has been very high in African countries and well above the average of other developing countries. However, in the East African Community (EAC), average headline inflation increased from 8 percent in 2007 to 20 percent in June 2008 while domestic commodity prices have risen substantially less than the global ones. The contribution of world food and oil prices to CPI inflation in EAC is estimated at 1.5 percentage points (1.1 for food) in 2007 and 4.6 percentage points (2.2 for food) in 2008. The main factor limiting the impact of global food price increases on domestic food prices in the subregion are the diversified food commodity production base and the partial insulation of the domestic from the world market due to poor infrastructure and/or trade barriers, such as the recent export ban in Tanzania.

Indeed, the majority of households in East and West Africa are relatively insulated from most global food markets, and from shifts in international food prices because a large share of their diet is based on local staples such as cassava, millet, *teff*, local varieties of maize, beans, etc. These are mostly traded locally and on the regional market barring infrastructure and institutional bottlenecks. Should the price of these local staples also rise, as demand for them increases, high global food prices would have a much stronger impact.

**Sources:** IMF (2008) and Staatz et al (2008).

### 3.3.2 Impact of the recent increases in food prices

The impact of the recent increase in global food prices may differ across countries depending on whether they are net food exporters or net importers. Net exporting countries should benefit from windfall gains, as this will be translated into improved balance of trade. Net importing countries on the other hand, are facing a higher import bill with adverse effects on their balance-of-payment and macroeconomic conditions.

In 2007, the total cost of food imports for Low Income Food Deficit Countries (LIFDCs) reached \$107 billion or 24 per cent higher than in 2006, and this was more than twice the level in 2000. Since most African countries are net food importers, the high food prices have resulted in deteriorating terms of trade for many of

them. The impact of the high food import bill on the balance of payments of these countries is further compounded by the dramatic increase in the prices of oil in the first half of 2008. The countries most affected are those where, according to FAO, 30 per cent of the population are already undernourished. Government efforts to mitigate the impact of high food prices led to increased government spending. For example, in Algeria, the bread subsidy system is estimated to cost \$50 million every month.

The inflationary pressure of high food prices has also been quite significant in the LIFDCs, as food accounts for a significant proportion of household expenditure. The global impact of food prices on world inflation was 26.6 per cent, while in Africa it was as much as 46.5 per cent<sup>12</sup>. In Egypt, the most affected country in North Africa, the year-to-year inflation in urban areas, driven by high food prices, reached 23.6 per cent in August 2008 up from 6.9 per cent in December 2007 (FAO, IFAD and WFP 2008). In some countries, high food prices had provoked political instability and social tensions.

The effects of high food prices also differ across households depending on their position as surplus producers, food self-sufficient farmers or net food buyers. Households producing food with surplus to sell should, in theory, benefit from high food prices, provided that high food prices in the consumer market are translated into higher farm gate prices. This, however, is not always the case, especially in Africa where price transmission mechanisms do not always function well, due to a combination of inappropriate pricing policies and fragmented commodity markets.

Poor households that already spend more than 60 per cent of their income on food are coping with the high prices by eating less, buying less nutritious food, cutting expenses in health care and education, selling assets or accumulating additional debts. They are literally mortgaging their future to meet today's needs, with long-term economic and social consequences.

In many countries, urban populations are finding that there is food on the shelves but they cannot afford to buy it. In Liberia and Guinea for example, governments are struggling to import enough to feed their people. Pastoralists in Djibouti are discovering that sales of vital livestock fetch very little grain on the market, while in Mozambique and Uganda, rural farmers can hardly afford to buy the seeds and fertilizers they need to grow their family's food, let alone reap the benefits of high food prices.

Children and women are particularly affected. Women, who need to eat more nutritious food during pregnancy and childbirth, are sacrificing their food intake to cater

“  
Rising  
government  
expenditure to  
mitigate the effects  
of high food prices  
”

12 FAO, IFAD, WFP: High Food Prices: Impact and Recommendations for Action. Paper prepared for the meeting of Chief Executives Board in April 2008, p. 3.

“ *Increased investment in agriculture essential for enhanced food security* ”

for their families with consequences for their health and that of their children. Children, particularly those under two years old, are missing out on nutrition that is essential for their growth and development, causing irreversible damage. Historically, subsistence farmers, producing enough for their household food demand and other basic needs with little or no surplus to sell, represented the largest farming group in Africa. However, if not assisted, the rising input prices and transport costs that are inflating the overall cost of production are throwing a large proportion of them into the group of net food buyers. The urban poor and net food-buying farmers are naturally the most impacted by the high food prices. Overall, a large proportion of people in LIFDCs are being pushed into deeper poverty as a result of high food prices.

### **3.3.3 Short- and long-term policy responses**

The policy responses can be divided into two broad categories:

- Interventions to ensure household food security by strengthening targeted safety nets in the short term; and
- Interventions to enhance domestic food production through productive safety nets, long-term policy adjustments and increased public and private sector investment.

Many countries, in collaboration with their development partners, have adopted different types of policies to cushion the impact of high food prices on the most vulnerable groups. In this regard, the first set of policy measures are directed at making food directly accessible to the most affected. These include:

- Free distribution of food aid to the most vulnerable groups;
- Implementation of food for work programmes; and
- Making effective use of implementation of existing school feeding programmes.

The second option to mitigate the effects of high food prices is to increase domestic crop production through new initiatives or by strengthening existing programmes aimed at enabling smallholder farmers to have access to seeds, fertilizers and credit for production of major food crops. Programmes for distributing subsidized seeds and fertilizers were already operational in some African countries, among them Malawi, where the programme was successfully implemented during the 2005-2006 and 2006-2007 cropping seasons. These programmes should target marginalized groups such as women because they are normally among the groups most

affected by food shortages despite their role in agricultural activity, nutrition and food security (box 3.3).

Another policy measure to increase food production in developing countries is to change current bio-fuel policies. A range of measures should be considered to make more grains and oilseeds currently used for fuel available for food and feed. These measures include freezing bio-fuel production at current levels, reducing it, or imposing a moratorium for bio-fuels based on grains and oilseeds until prices come down to reasonable levels according to long-run supply and demand. However, bio-fuel policy will have little significant role in Africa given the limited amount of land currently devoted to such production.

The most important long-term response is to scale up investments for accelerated agricultural growth. To transform the crisis into an opportunity for farmers and to build resilience to future food crises, a transition to viable long-term investments in support of sustained agricultural growth is urgently needed. Such investments are important in view of the emerging stress factors for agriculture from climate change that threaten to perpetuate the current crisis.

Investment for sustained agricultural growth includes:

- Expanded public spending on rural infrastructure, services, agricultural research, science and technology
- New and innovative crop insurance mechanisms
- Improved weather data, and
- Improved market access.

The needed supply response must encompass the whole food value chain. Private sector actors in the food processing and retail industries play key roles. See part II for further discussion of supply responses).

“  
The needed  
supply response  
must encompass the  
whole value chain  
”

### **Box 3.3**

#### ***Gender, agricultural production and food security***

Significant differences in gender roles exist between women and men in achieving food security and agricultural production in Africa. Across the continent, women are the dominant agricultural producers, traders and nutrition providers and produce more than 70 per cent of food in most countries. Women in both rural and urban areas are almost exclusively responsible for guaranteeing food security and well-being for their households either through smallholder farming of food crops, or through income earned from informal activities. Yet, women generally lack access to land, credit and farm inputs, and information and technical skills. Equitable, effective and sustainable agriculture and rural development cannot, therefore, be pursued without an explicit recognition of these realities, especially in the context of the recent food crisis.

Over the past four decades some progress has been achieved in recognizing the importance of women in the agricultural sector in Africa. In many countries, gender has been mainstreamed into sectoral agricultural policies and through various initiatives including: training; literacy activities; provision of subsidized inputs; and improved access to land, credit, and extension services. However, implementation of these policies has been inadequate due to lack of resources, capacity and prioritization. Agricultural research, extension and credit services still do not fully meet the needs of women farmers, while climate change has an adverse impact on food security with marked gender dimensions.

Strategies that promote gender equality in smallholder agriculture and food security have been identified to include: targeting women in agricultural technology dissemination; equalizing agricultural input distribution between men and women; and strengthening women's property rights to hold individual or joint title to land under inheritance and divorce laws, and in laws pertaining to violence against women. Longer-term strategies aimed at addressing the underlying problems of gender inequality in agricultural development include improving the access of women and girls to education, health and greater participation in policy-making. Women must be included alongside men in the design of food and agriculture policies and donor assistance programmes. Involving more women in the development processes may require special outreach and training for poorer and less educated women and for those who hesitate to voice their needs in front of men for cultural reasons.

**Source:** IFPRI (2005).

## References

FAO, IFAD and WFP, 2008. *High food prices: impact and recommendations for actions*. Paper prepared for the meeting of Chief Executive Board meeting in Bern, Switzerland in April 2008.

IFPRI, 2008. "Expected benefits of trade liberalization for world income and development: opening the black box of global trade modelling". *Food Policy Review* 8. Washington, D.C.

\_\_\_\_\_, 2005. *Women: still the key to food and nutrition security*. Washington, D.C.

IMF, 2008. *Food and fuel prices: recent developments, macroeconomic impact, and policy responses*. Washington, D.C.

Karingi, S.N. and L. Deotti, 2008. *Interim economic partnership agreements point to the classic regional trade agreements after all: should African countries really be worried*. Paper presented at the Third African Economic Conference, 12-14 November 2008, Tunis, Tunisia.

Karingi, S. and Robert T. Lisinge, 2008. *No need to re-invent the wheel: achieving aid for trade through the Almaty Programme of Action*. ATPC Work in Progress No. 69.

Lising, Robert, 2008. *Leveraging WTO negotiations on trade facilitation to operationalize the Almaty Programme of Action*. ATPC Work in Progress No. 70.

OECD, 2008. *International Development Statistics, DAC online database* (accessed in October 2008).

\_\_\_\_\_, 2007. *Aid for Trade at a Glance, 2007*. OECD. Paris, France.

OECD/FAO, 2008. *Agricultural Outlook 2008-2017*. Paris, France.

Ratha, D, S. Mohapatra, and S. Plaza, 2008. *Beyond aid: new sources and innovative mechanisms for financing development in sub-Saharan Africa*". World Bank Policy Research Working Paper 4609.

Sandler, C. and M. Maimbo, 2003. *"Migrant labour remittances in Africa: Reducing Obstacles to developmental contributions"*. Africa Region Working Paper Series No.64, World Bank, Washington DC.

Staatz, J., Valerie Kelly, Niama Nango Dembele, 2008. Potential food security impacts of rising commodity prices in the Sahel: 2008-2009. A special report by the Famine Early Warning Systems Network (FEWS NET), USAID, Michigan State University, May.

UNCTAD, 2008a. Trade and Development Report 2008, Geneva, Switzerland.

\_\_\_\_\_, 2008b. *Transport Newsletter*, No. 38. (UNCTAD/SDTE/TLB/MISC/2008/1), March.

UNECA, 2008a. Economic Report on Africa 2008: Africa and the Monterrey Consensus. Addis Ababa, Ethiopia.

\_\_\_\_\_, 2008c. North-South FTAs after all? A comprehensive and critical analysis of the interim economic partnership agreements, Addis Ababa. Ethiopia.

\_\_\_\_\_, 2007. Economic Report on Africa 2007: Accelerating Africa's Development through Diversification. Addis Ababa, Ethiopia.

United Nations, 2008. Draft Outcome Document of the Follow-up International Conference on Financing for Development to review Implementation of the Monterrey Consensus". Doha, Qatar, 29 November- 2 December.

World Bank, 2008. Global Development Finance: the Role of International Banking. Washington, D.C.

WTO, 2008a. International Trade Statistics. Geneva.

\_\_\_\_\_, 2008b. Revised Draft Modalities for Agriculture. (TN/AG/W/4/Rev.2), July.

\_\_\_\_\_, 2008c. Aid for Trade Roadmap. Annotated update, 23 July 2008.