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An Africa agenda for 2007: suggestions for the German G8 and EU council presidencies

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German Development
Institute

Africa Agenda for 2007

Suggestions for the German
G8 and EU Council Presidencies



Stephan Klingebiel (ed.)

Bonn 2007

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© Deutsches Institut für Entwicklungspolitik gGmbH
Tulpenfeld 6, 53113 Bonn
 +49 (0)228 94927-0
 +49 (0)228 94927-130
E-Mail: die@die-gdi.de
<http://www.die-gdi.de>

Preface

Africa will again be on the agendas of the G8 and European Union (EU) in 2007, when Germany will hold the Presidency of the G8 and, for the first six months of the year, the EU Council Presidency. Against this background, the present publication sets out to analyse and appraise the current challenges for sub-Saharan Africa and to consider basic aspects of cooperation with the African continent. It also contains comments on and assessments of the “Africa Agenda for 2007” and Germany’s possible role as seen from international perspectives.

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Bonn, December 2006

Stephan Klingebiel

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Abbreviations

ACP	Africa, Caribbean, Pacific
AECF	Africa Enterprise Challenge Fund
AfDF	African Development Fund
AGOA	African Growth and Opportunity Act
AIDS	Acquired Immune Deficiency Syndrome
AMCEN	African Ministerial Conference on the Environment
AMCOST	African Ministerial Council on Science and Technology
AMCOW	African Ministers' Council on Water
AMIS	African Mission in the Sudan
APF	African Peace Facility
APRM	African Peer Review Mechanism
ARV	Anti Retroviral Treatment
ASF	African Standby Force
AU	African Union
BDS	Business Development Services
BMBF	Bundesministerium für Bildung und Forschung (Federal Ministry of Education and Research)
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (Federal Ministry for Economic Cooperation and Development)
CAADP	Comprehensive Africa Agriculture Development Programme
CAP	Common Agricultural Policy
CDM	Clean Development Mechanism
CFSP	Common Foreign and Security Policy
CGD	Center for Global Development
CGIAR	Consultative Group on International Agricultural Research
COMESA	Common Market of Eastern and Southern Africa
DAC	Development Assistance Committee
DFID	Department for International Development
DIE	Deutsches Institut für Entwicklungspolitik / German Development Institute
DSF	Debt Sustainability Framework
EAC	East African Community
ECOSOC	Economic and Social Council
ECOWAS	Economic Community of West African States

EDF	European Development Fund
EITI	Extractive Industries Transparency Initiative
EPA	Economic Partnership Agreement
ESS	European Security Strategy
EU	European Union
G7/G8	Group of Seven / Group of Eight
GAERC	General Affairs and External Relations Council
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNI	Gross National Income
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German Agency for Technical Cooperation)
HIPCs	Heavily Indebted Poor Countries
HIV	Human Immunodeficiency Virus
ICT	Information and Communications Technology
IDA	International Development Association
IDD	International Development Department
IFC	International Finance Corporation
IFI	International Finance Institution
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change
ISO	International Standards Organization
ISS	Institute for Security Studies
IWRM	Integrated Water Resource Management
KfW	Kreditanstalt für Wiederaufbau
LCBC	Lake Chad Basin Commission
LDCs	Least Developed Countries
LIC	Low-Income Country
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MIC	Middle-Income Country
MNPQ	Messen, Normen, Prüfen, Qualitätsmanagement (measuring, standardizing, testing, quality management)
MTEF	Medium-Term Expenditure Framework

NATO	North Atlantic Treaty Organisation
NBA	Niger Basin Authority
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organisation
OAU	Organisation for African Unity
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Cooperation and Development
OMVS	Organisation pour la Mise en Valeur du fleuve Sénégal (Senegal River Development Organization)
PBA	Programme-Based Approach
PEM	Public Expenditure Management
PPP	Public Private Partnership
PRSP(s)	Poverty Reduction Strategy Paper(s)
SADC	Southern African Development Community
SAIIA	South African Institute for International Affairs
SAP	Structural Adjustment Programme
SMEs	small and medium-sized enterprises
STAP	Short-Term Action Plan for Infrastructure
STCAP	Science and Technology Consolidated Plan of Action
STD	Sexually Transmitted Disease
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCCD	United Nations Convention to Combat Desertification
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNEP	United Nations Environment Programme
USA	United States of America
VAT	value-added tax
WBGV	Wissenschaftlicher Beirat Globale Umweltveränderungen (Scientific Advisory Committee on Global Climate Changes)
WTO	World Trade Organization

Summary

Stephan Klingebiel

Africa will again be on the agendas of the G8 and European Union (EU) in 2007, when Germany will hold the Presidencies of the G8 and, for the first six months of the year, the EU Council. Against this background, the present publication sets out to analyse and appraise the current challenges facing sub-Saharan Africa and to consider basic aspects of cooperation with the African continent. It also contains comments on and assessments of the “Africa Agenda for 2007” and Germany’s possible role as seen from an international perspective.

In the introduction *Stephan Klingebiel* discusses the need for progress to be made on the subject of Africa during Germany’s G8 and EU Presidencies. He believes three basic directions can be followed to this end: specific substantive concerns (such as sustainable investment and governance), the further development of patterns of cooperation with Africa and the structuring of new “major issues” (the role of “new” powers, consequences of climate change for Africa).

Socio-economic challenges

In the chapter entitled “Socio-economic challenges: standstill or progress?” *Peter Wolff* begins by concluding that – with some exceptions – Africa is lagging behind in the achievement of the millennium goals. If newer approaches (greater involvement of government budgets by donors, etc.) to the development of poverty-reducing policies are adopted, there is scope for appropriate reform policies to be supported.

Sub-Saharan Africa’s favourable growth figures compared to earlier times are analysed by *Helmut Asche* and *Axel Biallas*. They advise caution in the interpretation of the growth situation: though gratifyingly positive, growth in Africa is not high, broad or sustainable enough to render superfluous the increase in development assistance that has been decided. It does, however, mean that international development cooperation has a better prospect of succeeding than it has had in the past.

Kathrin Berensmann examines the initiatives agreed and launched in the past ten years to reduce foreign indebtedness. She concludes that debt relief is an important precondition for the simultaneous achievement of debt-carrying capacity and the Millennium Development Goals. However, although debt relief is necessary, it cannot ensure development on its own.

Nina Kielwein and *Klaus Liebig* consider the dimensions and grave consequences of HIV/AIDS (Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome). Sub-Saharan Africa accounts for about 10 % of the world’s population, but for some 64 % of all people infected by HIV. The international community was initially late in reacting to this situation. Although the financial resources devoted to the fight against HIV/AIDS have risen steeply in recent years, there continues to be a financial gap, and shortcomings in policy implementation can also be identified.

Political challenges

In the chapter entitled “Political challenges: is governance good enough in Africa?” *Sven Grimm* and *Stephan Klingebiel* note that processes of political transformation have been under way in many sub-Saharan African countries since the early 1990s. Africa as a whole has become politically more varied and more open. However, the region still compares unfavourably with others as regards various aspects of governance. Furthermore, in some cases at least, progress in this respect is fragile, and regression (in Ethiopia, for example) cannot be ruled out.

An important positive element is the voluntary process of reviewing various dimensions of governance which has been devised in the context of the New Partnership for Africa’s Development (NEPAD), a subject considered by *Sven Grimm*. Although this instrument represents a change for the better, African ownership makes donor engagement difficult.

Stephan Klingebiel examines the new African peace and security structure, which consists primarily of the African Union (AU) at continental level and of regional mechanisms. Violent conflicts make a workable system extremely important for Africa. The architecture is, however, of direct relevance to the G8 and EU, too. The less capable African mechanisms are of taking effective measures to prevent crises and resolve violent conflicts, the greater the pressure on the international community to take action. This is evident, for example, from the perceived need for the United Nations to take over the Darfur mission from the AU.

Challenges in the environmental and resource sphere

In the chapter entitled “Challenges in the environmental and resource sphere: Africa’s particular vulnerability?” *Susanne Neubert* and *Waltina Scheumann* consider the subject of water. They find that, compared to the rest of the world, the poor sub-Saharan African countries are at a particularly serious disadvantage as regards the availability of water, its supply and disposal and basic sanitary services. In view of the difficulties which many African countries are having in achieving the MDGs, “good water management” is a huge challenge for Africa. One of the basic requirements for achieving good water management is the peaceful and joint use of cross-frontier water sources. In the past it was often assumed that considerable potential for conflict lay in the joint use of cross-frontier rivers. Actual developments hitherto have not confirmed this, however, and have in fact shown that cross-frontier water reserves far more frequently acts as catalysts of cross-frontier cooperation.

In their essay *Steffen Bauer* and *Imme Scholz* demonstrate that it is essential for the future development of sub-Saharan Africa to be considered against the background of the climate change that is becoming increasingly obvious. The consequences which climate change will in all likelihood have will be particularly relevant to the continent of Africa. They not only concern the political and socio-economic development of Africa and its societies, but will also influence the nexus of development and security. According to the climatologists’ increasingly sound and precise forecasts, there are many indications that the climatic trends concerned have already begun and that the likely implications will be serious even if average warming can be successfully stabilized in the coming decades.

Challenges for the partnership with the continent

In the chapter entitled “Challenges for the partnership with the continent: towards broad cooperation?” *Stephan Klingebiel* begins by considering the increase in resources for development cooperation (ODA) announced at the G8 summit and in the EU plan to gradually increase contributions. He examines the already heavy dependence of some African countries on ODA. Recent studies of the benefits of ODA and the impact of a possible increase come to the conclusion that the benefits do not rise in proportion to each additional euro spent. Various studies assume that there is a certain level of ODA above which the benefits decrease or the impact may even be negative.

In a further essay *Stephan Klingebiel* and *Stefan Leiderer* take stock of the effectiveness of ODA from the donors’ standpoint. The benefits of ODA have often been unsatisfactory in the past. The large number of donors and individual measures may, for example, result in uncoordinated and sometimes inconsistent concepts. Another problem may consist in isolated “donor islands” having little or nothing in them to act as a model. In some cases measures taken may even weaken the partner’s implementing capacities. Since the late 1990s improving aid effectiveness has therefore been the subject of an intensive debate. As this debate has continued, it has become apparent that programme-oriented approaches (budget aid, basket financing and the like) are an important lever.

Sven Grimm analyses the Africa strategy which was adopted by the EU in December 2005 and has been signed by the Council of Ministers, the Commission, the European Parliament and all 25 EU Member States. This marks the first occasion on which a uniform document on Africa has been approved for the whole EU, i.e. both for Community programmes and for the Member States’ bilateral Africa policies. Thus a single document sets out the general policy lines of relations with the various parts of Africa. Eventually, the EU’s hitherto one-sided strategy towards Africa – on which the African Union has only been consulted – is to be expanded into a joint Europe-Africa strategy for cooperation between the two continents.

Trade policy is one of the European Commission’s main responsibilities in the context of Europe’s external relations. Against this background, *Sven Grimm* and *Michael Brüntrup* consider the Economic Partnership Agreements (EPAs) with the ACP (African, Caribbean and Pacific) States. Under the EPAs the trade preferences hitherto granted only by the EU are gradually to give way to agreements based on reciprocity. The concluding negotiations will thus take place during the German Presidency, since the second half of 2007 will in all probability be needed for the ratification of the agreements.

Private-sector growth is, in the opinion of *Christian von Drachenfels* and *Tilman Altenburg*, one of the most important levers for reducing poverty. If poverty in sub-Saharan Africa is to be reduced, productive employment opportunities must therefore be created, primarily in the agricultural sector, but also in the industrial and service sectors. As employment in the public sector, traditionally the largest employer in sub-Saharan Africa, is declining in absolute or at least relative terms, almost all the productive jobs needed must be provided by the private sector. This presupposes a functioning market economy in which private actors have incentives to invest. Development measures that increase the performance and efficiency of the market economy are therefore particularly important.

Andreas Stamm argues that science and university education are essential in sub-Saharan Africa if the continent is to develop its own strategies for shaping the future. Knowledge is increasingly important for economic development and social change. The rapid spread of efficient communications networks in developing countries – increasingly even in countries of sub-Saharan Africa, where communications hardly existed in the past – is making it possible to gain access to internationally distributed knowledge and to communicate with sources of know-how in other countries or parts of the world. This will enable those countries to increase their own problem-solving capacities to an extent that would have been hardly conceivable only a few years ago.

In sub-Saharan Africa South Africa and Nigeria can be described as anchor countries. Other countries – such as Kenya, Ghana and Ethiopia – similarly play an important role in certain contexts. But Nigeria and South Africa dominate their respective regions and are also perceived internationally as the two players carrying most weight in sub-Saharan Africa. *Klaus Liebig* therefore considers the need for a more differentiated view to be taken of these sub-Saharan African countries in German external relations and in other respects. This concerns both the substance of cooperation and the instruments used. While the instruments of development cooperation should be employed in least developed countries, with due regard for current international standards (the Paris Declaration, etc.), cooperative relations with anchor countries need to become more widely spread and more dense if an attractive offer is to be made.

Africa's development prospects and its international bargaining position have changed appreciably in recent years as a result of the highly visible emergence of new partners, especially China and India. *Thomas Fues* analyses China's varied offers of cooperation that provide the continent with attractive additions – and in certain cases alternatives – to relations with western industrialized countries. China's Africa summit in Beijing (November 2006) was the high point so far in a partnership that is developing very dynamically. China's interest in Africa goes beyond the desire for secure supplies of energy sources and raw materials. During the EU and G8 Presidencies there will be a number of opportunities for focusing on the rapid growth of China's and India's presence in Africa and for developing forward-looking initiatives.

In his analysis *Dirk Messner* concludes that the playing field on which global governance occurs is constantly changing. The dominant debate since 11 September 2001 on the monopolar, US-dominated system of international policy is gradually giving way to the perception that, with the rise of China and India as increasingly influential global economic and political actors, the repositioning of Russia as the power in the sphere of energy and raw materials and the growth in the regional and international importance of other anchor countries, a new multipolar power structure is emerging and changing the dynamics of the global governance architecture fundamentally. In the analyses of these shifts of power Africa is as a rule mentioned no more than marginally, if at all. It is becoming apparent, however, that global governance strategies that largely exclude Africa's role in global policy processes and reduce the view taken of that continent to the question of the achievement of the Millennium Development Goals do not go far enough.

Comments and analyses from an international perspective

Elizabeth Sidiropoulos and *Romy Chevallier* (South African Institute of International Affairs, Johannesburg) point out in their essay that many G8 summits in the past have been the subject of numerous analyses and recommendations concerning Africa. Perhaps the underlying challenge for the North is to stop seeing Africa as a charity and rather as a market full of opportunities – as is already the case with China's engagement. To maximize this, Germany can identify during its G8 and EU Presidencies a few priority areas that can make a difference. Of prime importance, therefore, are proposals that seek to improve governance and to create incentives for economic growth in Africa.

Henning Melber (Dag Hammarskjöld Foundation, Uppsala) examines the new race for African resources. He asks whether, against the background of global attempts to liberalize trade, markets and producers in the developing countries and especially Africa are equal to the challenges posed by free competition with the industrialized countries or whether they need continued protection.

Stefan Koeberle (World Bank, Washington, DC) considers the factors that helped the United Kingdom to bring considerable influence to bear on the international agenda during its G8 and EU Council Presidencies in 2005. Decisive in this context were not only the demonstrations and Live 8 concerts, but the unity of the leadership, the insistent pressure for practical solutions, the employment of intelligent argument and skilful play with public opinion. If Germany does not want its Council Presidency to pass with no more than the usual summit communiqués, it can take a number of initiatives based on the UK's experience. Germany needs to find a subject of global importance on which to concentrate. For this "global climate change" would be an excellent choice.

Verena Fritz (Overseas Development Institute, London) assumes that development issues will not top the agendas in 2007. Despite the compressed agenda, however, there are good reasons for paying serious attention to development issues. For some years Germany has sought to play a more active role in international politics – and, in principle, a more active role must also include a more active position on development issues. Germany's development cooperation community tends to "punch below its weight" – especially in international development policy debates. Looking forward to its EU Council Presidency, Germany should endeavour to press for a more common European policy towards Africa. This would not mean demanding that bilateral aid programmes be abandoned from one day to the next. But where bilateral aid programmes continue to exist and remain active, their policy objectives should be more closely coordinated.

I Introduction: an Africa Agenda for 2007?

An Africa Agenda for 2007?

Stephan Klingebiel

Germany's Presidency of the G8 in 2007 and its Presidency of the EU Council in the first six months of 2007 will give the German government an opportunity to shape policy in those arenas in a particular way or at least to single out certain issues for special attention. The subject of "Africa"¹ will again be high on the agenda in this context.

- The German government has decided to place the emphasis on Africa's development as one of two focal issues for the G8 summit. The reform partnership with Africa is to be expanded along the lines of good governance (see Grimm / Klingebiel, Chapter III) and sustainable investment (see Asche, Chapter II, and Drachenfels / Altenburg, Chapter V). Such other Africa-related aspects as HIV/AIDS (see Kielwein / Liebig, Chapter II) are also to be considered.²
- With regard to the EU Council Presidency, the variety of topics and the list of "compulsory subjects" are far more comprehensive.³ There are no plans to focus on Africa, especially as the Africa Strategy approved by the Council in December 2005 means that an up-to-date set of guidelines already exists, and the planned EU-Africa summit meeting will be a forthcoming major event, probably during the Portuguese Council Presidency in the second half of 2007. However, holding the EU Council Presidency means coping with a considerable volume of "day-to-day business," in which the subject of Africa will certainly play a part. This is true, for example, of the continued implementation of the EU-Africa Strategy (see Grimm, Chapter V), the Economic Partnership Agreements or EPAs (see Grimm / Brüntrup, Chapter V) and a number of country-related issues.

The prominence of Africa as a theme and the German government's efforts are likely to be helped indirectly by President Horst Köhler's pronounced interest (see Köhler 2006) and his "Partnership with Africa" initiative. It is unlikely, on the other hand, that Germany will do as much to help "Africa" to a prominent position on the international agenda as the British Government did in 2005. It was very much to the credit of the British Government, and not least Prime Minister Tony Blair and Chancellor of the Exchequer Gordon Brown, that politically binding commitments to a significant increase in official development assistance (ODA) (see Klingebiel, Chapter V) and thus a goal long pursued by development policy were achieved. The British Government's consummate skill in portraying itself as an international actor in this initiative and the opposition to such projects as the Commission for Africa, not least in Africa itself, because of its paternalistic overtones⁴ formed part of the overall picture.

1 The term "Africa" in this volume means sub-Saharan Africa in most cases. However, in the context of the African Union and NEPAD, for example, it concerns the whole continent, since they are all-embracing approaches.

2 See the article "*Schwerpunkte der deutschen G8-Präsidentschaft*," 18 October 2006; on line: <http://www.bundesregierung.de>.

3 For Africa's place in these contexts see the statement of principles on Europe by Federal Chancellor Angela Merkel on 8 November 2006 before the German Council on Foreign Relations (DGAP) in Berlin; on line: <http://www.bundesregierung.de>.

4 The criticism concerns, among other things, the title "Commission **for** Africa."

Both the G8 and the EU framework have for some time included structures for cooperation with Africa. The G8 summit in Cologne (1999) saw the launching of the HIPC debt relief initiative, which benefited African countries in particular (see Berensmann, Chapter II). The summit held at Kananaskis in Canada (2002) produced the G8 Africa Action Plan. The EU, too, has a great interest in Africa, which is not confined to the Commission, but is also pronounced in the case of the EU's High Representative, Javier Solana. Cooperative relations with the African continent are also complex, in terms of both the diverse forms of cooperation with the various parts of Africa and the differences in the nature of cooperation (e.g. support for African Union peace missions, the sending of EU missions to Africa, conventional development cooperation and Economic Partnership Agreements; see Grimm, Chapter V). Since December 2005 all these aspects have been covered by the overarching Africa Strategy of the EU and its Member States.

In these circumstances, what form can the Africa agenda of the German Presidencies take? Germany should be at pains to expand the consensus achieved in the G8 and EU contexts and to make progress, above all qualitatively. In particular, an effort should be made to define the substance of the decisions to increase ODA (what is the ODA increase for?) and so get away from "input thinking" and unrealistic expectations of ODA. Efforts to specify the reforms which the African partners need to undertake and the opportunities for cooperation in areas other than development should be stepped up.

Africa paradoxes

Designing a clear approach to the expansion of cooperation with Africa is hampered by the significant differences and, sometimes, contradictions revealed by the Africa debates conducted not least in the G8 and EU contexts in the perception of problems, the formulation of interest in Africa and, inevitably, the conclusions drawn for political action. These different views and recommendations for action are reflected in four paradoxes.

(i) The "Africa situation paradox"

Africa's developments are inconsistent. This lack of uniformity is by no means new and is due to the sheer size of sub-Saharan Africa and the fact that it comprises 48 countries. It is nonetheless important to recognize general situations and trends that hold true of at least certain groups of countries or subregions or of certain issues. Thinking in the clichés of "pessimism" or "optimism about Africa" often encountered in politics and academia is not very helpful in this context.

The "situation paradox" can be outlined roughly as follows:

- Africa is the continent which has made least progress in achieving the Millennium Development Goals. Yet there is a group of countries that can point to significant progress in their development (see Wolff, Chapter II).
- Africa is currently experiencing a growth boom. However, it is benefiting various groups of countries in very different ways (see Asche, Chapter II). In some cases, it is clear that a wealth of resources (such as oil) is not always bound to have favourable effects: there is also the danger of their becoming a curse.
- The quality of governance in African countries has improved demonstrably in recent years. However, governance continues to pose sometimes serious problems, and even

in countries where elections have been held, fundamental problems (such as neopatrimonial systems) have not necessarily been overcome (see Grimm / Klingebiel, Chapter III).

- Such regional and continental initiatives and mechanisms as the African Union (AU) and the New Partnership for Africa's Development (NEPAD) have been a positive development in recent years and perform an important political function. They are not, however, capable (to be realistic) of solving fundamental problems or eliminating inconsistencies quickly (see Grimm and Klingebiel, Chapter III).
- Although the number of wars in Africa has declined, violent conflicts in many regions and countries of Africa remain a key problem (see Klingebiel, Chapter III).

(ii) *The "lack of interest in Africa paradox"*

The long lamented lack of political interest in Africa after the Cold War seems to be giving way to a sudden rise in the importance attached to African issues. "Interest" in the African continent is highly complex, even contradictory in some respects. While political and public campaigns centred on the Millennium Development Goals and, above all, the reduction of poverty in "Africa's year, 2005," Africa is currently experiencing a phase characterized by a geostrategic renaissance (see Klingebiel 2005). The interest shown by China, India and other new global players is leading to a fresh race for raw materials, especially energy, and for markets and political influence (see Fues and Messner, Chapter IV, and Melber, Chapter V). This debate has been most in evidence in the USA for well over five years. "Africa is of growing international importance," writes Richard N. Haass in his preface to the report of an independent Task Force entitled "More than Humanitarianism: A Strategic U.S. Approach Toward Africa" (Council on Foreign Relations 2006). This new strategic interest extends beyond the relationship with the Asian players. In all, the Task Force regards four areas as being of growing importance for the USA: (i) energy, (ii) competition with China and other countries, (iii) terrorism and (iv) the effects of HIV/AIDS. The steps taken by the US Government to achieve the huge increase in ODA for Africa it has announced are evidence of the considerable practical relevance associated with the new view of the African continent.

What effect the strategic and (in some respects) economic interest of the USA and, in a different way, that of the EU (EU-Africa Strategy, the European Security Strategy, etc.) and the interest of such "new" actors as China will have on the continent and its development prospects is almost impossible to forecast. What is important, however, is that these developments have as yet hardly been reflected in a strategic view taken of the African continent by, say, Germany's policy and the formulation of its interests.

Thinking in terms of one's own interests in the African continent is, in principle, legitimate. The USA in particular shows, however, that to focus solely on one's own interests is, in the long term, to take too narrow a view. The consequences of climate change for Africa, for which it bears very little responsibility, are overlooked when that view is taken (see Scholz / Bauer, Chapter IV). Developing African peace and security capacities may also prove problematical (see Klingebiel, Chapter III; Klingebiel 2005) if the international community transfers its responsibility for protecting African population groups to supposedly effective regional institutions. The risk then is that willingness to engage in international peace missions, for example, will fade on the grounds that Africa's own structures are being developed and supported.

(iii) The “assistance paradox”

There has been some controversy in recent years what constitutes the appropriate scale of development assistance for Africa. Only a few years ago there was a broad consensus that increasing ODA was one of the principal ways of achieving successful development. The Commission for Africa set up by Tony Blair and the work of Jeffrey Sachs point in a similar direction. The work of many non-governmental organizations in the development field support this view. The EU plan to gradually increase development cooperation contributions and the decisions taken at the G8 summit at Gleneagles also resulted in its being possible in large measure to achieve that objective politically. The way in which Africa's problems were placed on the agenda at the 2005 G8 summit conveyed the impression that – given the political will of the assembled heads of state or government – the problem of poverty could be brought to an end by brave political decision-making (see Payne 2006, 922).

At the same time there are, however, growing doubts about significantly more ODA having significantly more effects. Weighty arguments in the debate tend to show that there are good reasons for claiming that more external assistance may even be counterproductive.⁵

The disagreements that have arisen in this context are important stages in the process of ensuring that ODA actually produces the greatest possible benefits and that any adverse side-effects can be minimized. More assistance by no means ensures more “development,” but conversely, more assistance does not necessarily have more negative concomitants (see Asche, Chapter II; Klingebiel and Klingebiel / Leiderer, Chapter V).

For the G8 and EU processes it is therefore extremely important for there to be a qualitative definition of the ODA increases that have been decided. For example, are all forms of development cooperation equally suitable (debt relief, using ODA to finance peace missions, etc.)? And what criteria are important when it comes to choosing countries or other partners (regional institutions, etc.) as recipients of assistance?

(iv) The “Africa policy is more than assistance” paradox

An important conclusion to be drawn is that Africa is not, or at least should not be, simply an issue for development policy: “... the North [should] stop seeing Africa as a charity” (see Sidiropoulos / Chevallier, Chapter VI).

Cooperation should become more broadly based as a function of the issues and partners (governments, regional organizations, etc.). This is evident, for example, from the debate on African anchor countries (see Liebig, Chapter V), the question of scientific cooperation (see Stamm, Chapter V) and issues in, say, the area of peace and security (see Klingebiel, Chapter IV). The EU-Africa Strategy may well act as a model in this context, since it is consciously designed to span all policies and is able, for example, to take account of the High Representative's political interest and the weight he carries. Germany has hitherto been virtually unable to act as a conceptual model of this kind because its cooperation

⁵ The report of the Commission for Africa (2005) already contains a number of analyses and recommendations on this subject, but politically at least they are perceived to carry little weight.

with sub-Saharan Africa is very largely determined by development policy, with foreign, security and economic interests and initiatives playing a part, at best, in specific cases.

Conclusion

There is a need for closer cooperation between the G8 and EU and the continent of Africa. Germany should play this role actively and, in so doing, use its own potential and political weight. The international community justifiably expects Germany to determine where the substantive accents should lie (see Fritz and Koeberle, Chapter VI).

Germany's contribution in this context can have an impact in three respects. Firstly, the issues on which it should focus are "good governance" and "sustainable investment." Here Germany has something to contribute to the elaboration of the subject-matter and not least to the substantive linking of these two areas.

Secondly, Germany should help in the further development of the underlying patterns of cooperation with the African continent. One important step in this connection would be the establishment of joint quality standards following the political commitments to increase ODA. A more systematic search for ways of improving cooperation by other than development policy means should also be considered. How, for example, the G8 and EU Member States' foreign and security policy options can be better exploited is a question to which too little attention has so far been paid.

Thirdly, Germany can help to structure future major topics for the G8 and EU processes. In the future they must include climate change and the consequences for Africa (see Scholz / Bauer, Chapter IV, and Koeberle, Chapter VI). There is also a lack of guidance on the form in which the G8 can become a helpful mechanism in the integration of the Asian powers into processes of dialogue and on the extent to which new organizational structures are needed.

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II Socio-economic challenges: standstill or progress?

Implementing the MDG agenda in sub-Saharan Africa

Peter Wolff

1 State of MDG achievement in sub-Saharan Africa

Africa is the continent that has made least progress in achieving the Millennium Development Goals (MDGs). While it is predicted that large parts of Asia will succeed in halving absolute poverty between 1990 and 2015, the number of the absolutely poor in Africa, i.e. those who have less than a US dollar a day, has continued to rise. Nor will many African countries achieve MDGs other than the halving of income poverty, especially the health goals (reducing maternal and child mortality, containing infectious diseases), by 2015.

The reasons for this cannot be reduced to a common denominator, if only because developments in Africa vary widely. But the hypothesis of the “poverty trap” has a certain plausibility, even though the underlying economic reasoning (inadequate propensity to save and invest) is impossible to follow (Sachs 2005; Asche 2006). The hypothesis maintains that, owing to the low initial level of real and human capital in the poorest countries, it is difficult to increase productivity, which is the basis of economic growth. In both impoverished private households and government budgets too few resources are consequently available for enough to be invested in, say, education and health, a precondition for increases in productivity. In these circumstances, birth rates can hardly be expected to fall, as in large parts of Asia. The result is a vicious circle from which those affected find it virtually impossible to escape by their own efforts. Although some countries have sufficient capital, which might be invested in development (e.g. Nigeria), specific political structures, especially in primary-producing economies, regularly result in large sections of their population similarly being caught in a poverty trap.

Yet progress is being made. Recent figures indicate that in countries which have been able to implement goal-oriented policies and to achieve moderate growth rates over a lengthy period the social indicators are also gradually improving. These positive trends can be seen in no fewer than some 15 sub-Saharan African countries (see Asche, Chapter II). They show that, where there is political stability, reasonably “good policies,” “good governance” and appropriate external aid, progress can be made. The year set for the achievement of the MDGs, 2015, is ultimately irrelevant provided that progress can actually be made towards their achievement and is sustained beyond this arbitrary deadline.

The foundations for the improved performance of quite a number of sub-Saharan African countries were laid as early as the “structural adjustment” phase in the 1980s and 1990s, which is generally regarded as a wasted period. Although poverty increased in many countries during that phase, what is often overlooked is how little economic room for manoeuvre there was after a long period of misguided policies. As the donors reduced their aid to sub-Saharan Africa in real terms in that period and as the expected supply response did not occur in the liberalized markets, the resources for the necessary investment in the development of those countries were simply not available. They were not set aside for them by the International Monetary Fund (IMF) or the World Bank. The reform of public sectors, intended not least as an attack on the sinecures of the ruling classes and as an adjustment of urban bias to the advantage of rural areas, also failed. From this the donors were able to

learn for their policies that technocratic and externally guided reforms cannot succeed unless they are supported and driven forward from within. However, this period at least produced a somewhat stability-oriented macroeconomic environment, which formed a necessary, though in itself inadequate, basis for a growth-oriented policy. The debt relief operations since the late 1990s (see Berensmann, Chapter II) have done their bit to relieve the countries concerned of the legacy of that period. The “structural adjustment loans,” which added considerably to the developing countries’ debt mountains, should not, of course, have been provided as loans. But no grants were available. It is therefore no more than logical that the loans should now be converted into grants by means of the multilateral debt relief initiative.

2 Strategies for achieving the MDGs

As the new millennium began, it was also logical for the countries themselves and for the donors to set courses that justified a new cooperation paradigm:

- The establishment of poverty reduction development programmes by the countries themselves (Poverty Reduction Strategy Papers – PRSPs).
- The orientation of the countries and the donor community towards joint goals aligned with the MDGs, with the PRSPs or the sectoral programmes derived from them as operational plans for achieving the goals.
- The adjustment of the donor community to the partner countries’ programmes and procedures with the aim of increasing the effectiveness of aid (Agenda of the 2005 Paris Declaration on Aid Effectiveness – Ownership, Alignment, Harmonisation).
- Finally, support for “good policies” and “good governance” through debt relief and additional resources. This, too, against the background of political processes beginning in Africa (New Partnership for Africa’s Development – NEPAD), signalling the acceptance of a greater degree of responsibility, orientation towards development and a democratic future.

The first generation of PRSPs

The first generation of PRSPs, which are normally designed for three years, rightly met with criticism. As a rule, the strategies were established by a small group of technocrats with an eye to what the international donors, and especially the IMF and World Bank, wanted to see. The aim was to ensure that the debt relief operation for which the PRSPs were required went ahead smoothly.

Despite the weaknesses in the process of drawing up the first generation of PRSPs, they gradually gained in importance: in the countries themselves policies were for the first time gauged by progress in reducing poverty, and even civil society groups were able publicly to call the government to account for the implementation of the policies concerned. Although scepticism was widespread, the donor community took the documents seriously as the basis for government policy and began to gear their support to the PRSPs.

The major substantive weakness of the PRSPs was their one-sided development strategy orientation towards the “social sectors” and their neglect of productive investment. The MDGs’ emphasis on education and health indicators resulted in the allocation of resources

being geared directly to these goals and in the rising expenditure on the education and health sectors being described as “poverty-oriented” in the context of the PRSPs. Increased spending on education and health is undoubtedly necessary, especially after years of stagnant or even declining per capita expenditure in these sectors. What is often overlooked in this context, however, is that such health objectives as the reduction of child and maternal mortality (MDGs 4 and 5) and combating infectious diseases (MDG 6) can be achieved only by means of complex intervention packages that include, for example, investment in agriculture (food security) and infrastructure (water, transport, energy). Increasing health budgets in isolation is not enough in itself. Equally, focusing on primary schooling (MDG 2) may lead to misallocation of resources to the construction of primary schools unless there is also complementary investment in teacher training, infrastructure and an increase in agricultural productivity. The promotion of secondary and higher education in particular is vital if all MDGs are to be achieved, since the development of human resources and institutional capacities with appropriately trained staff is an essential requirement for the implementation of policies in all sectors and thus for the reduction of poverty in general.

An added factor is that a sustainable reduction of income poverty (MDG 1) is dependent on sustainable economic growth reflected in increases in the incomes of the poor. This calls for complex policies to promote investment in the public and private sectors. They can be derived not from the goals themselves but from a country’s potential in the various sectors of the economy, which must be developed by means of appropriate policies. Most first-generation PRSPs give little indication of policies and prioritization aimed at promoting job-creating growth. The strategies for promoting private investment are particularly unclear and incoherent, and it is not therefore surprising that the World Bank’s 2005 *Doing Business* report states “...that African nations impose the most regulatory obstacles on entrepreneurs and have been the slowest reformers over the past year.” (World Bank 2005, 11)

New approaches

The second-generation PRSPs, i.e. the strategies that have been designed since about 2005, are far more growth-oriented and set greater store by increasing productive investment in agriculture and manufacturing industry. What remains unclear, however, is the question of the complementarity of public and private investment. Although it is generally assumed that sub-Saharan Africa is in serious need of public infrastructure, estimated by the World Bank, the EU and Britain’s Commission for Africa as costing several billion US dollars annually, hardly any investment programmes geared explicitly to overcoming the bottlenecks in the productive sectors have been established at country level.

There continues to be a lack of operational programmes for implementing PRSPs that take account of the complementarities between public and private investment or between “productive” and “social” government expenditures. It is, after all, precisely these complementarities that determine the success of policies and are decisive for the achievement of the MDGs. It is to the credit of the UN Millennium Project Task Force reports that they have systematically identified the multisectoral links in the achievement of the various MDGs and defined the intervention packages which must typically be considered and implemented if the MDGs are to be achieved (UN Millennium Project 2005).

The logic of this approach is that it defines all the interventions needed to achieve a goal across various sectors (needs assessment), aggregates the interventions for all MDGs and PRSP objectives, determines the costs involved and then sets priorities as a function of available resources. The aim is as far as possible to finance the complementary intervention packages that are especially critical for goal achievement and not – as is the normal practice – to set sectoral priorities as a function of the current political debate (e.g. PRSP I: Education and health; PRSP II: Infrastructure).

3 Conclusions – government budgets as the pivot of development policy

This approach calls for a degree of planning of government policies and their budgetary implementation which is described by such critics as Easterly as planning euphoria (Easterly 2006). It is, however, one of government's core tasks to establish a budget that is geared to the objectives set by policy. One of the reasons why this was recognized in sub-Saharan Africa only recently – with the increase in budget aid provided by the donors – is that for all too long the donors planned and implemented their projects regardless of national budgets. Only when it was appreciated that this undermines national policy-making and planning processes and largely deprives the partner countries' parliaments of the right to establish the budget, because the donors ultimately decide on the priorities of resource allocation, did the focus of development policy interest shift to government budgets.

In the forefront of the processes of dialogue between donors and partner countries on government budgets is the issue of constitutional and transparent budgeting (public financial management), including monitoring by parliaments and public audit offices. Some progress has been made in this respect in the 15 or so “good-performing countries” in sub-Saharan Africa. The same cannot be said, on the other hand, of systematic alignment of government spending with the MDGs and PRSP goals. Even after several years of dialogue based on regular public expenditure reviews, the partner countries' Medium-Term Expenditure Frameworks (MTEFs) have still not been systematically adjusted to the PRSP goals. Budgetary processes are essentially political processes even in sub-Saharan Africa, and the structure of public spending can be reoriented only in the long term, through incremental changes. With the prospect of additional budget financing (through debt relief and new resources) against the background of the G8 decisions taken at Gleneagles in 2005 there is, however, a chance that decisions on the use of these resources will not be taken on the basis of given budget structures (“x% more for all sectoral budgets”) or of economic policy intuition (“more resources for education and infrastructure”), but that the additional resources will be systematically geared to the MDGs and PRSP goals in accordance with the approach outlined above. This has nothing to do with planning euphoria and everything to do with an attempt to use scarce resources in the most goal-oriented and efficient way. At the planned meeting of the G8 finance ministers and their African counterparts agreements should be reached on the practical application of this procedure.

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A growth boom in Africa?

Helmut Asche with Axel Biallas

1 Assessment of the growth figures in sub-Saharan Africa

Most assessments of the economic situation in sub-Saharan Africa are currently very optimistic. World Bank Vice President for the Africa Region Gobind Nankani, for example, said when the new *Africa Development Indicators*, the most important set of economic statistics for the continent, were presented: “Africa is today a continent on the move, making tangible progress on delivering better health, education, growth, trade and poverty-reduction outcomes.”¹

The main reason for such assessments of the situation is that the growth figures have been steadily rising for some years. The World Bank records, for instance, an average increase in gross domestic product (GDP) in real terms of 4 % from 2000 to 2004, compared to 2.4 % in the 1990s and only 1.8 % in the 1980s. For 2005 the International Monetary Fund (IMF) even refers to 5.6 %, or 5.9 % when the economic heavyweights, Nigeria and South Africa, are excluded.

How are these figures to be assessed? Given the duration (since the mid-1990s), breadth (all countries covered by the statistics except Zimbabwe) and structure (see below) of the upswing, we are obviously dealing with more than a purely cyclical phenomenon. Can it already be inferred from this that the African economies have embarked on a new trend, that they are on a path of stable growth and will achieve, by their own efforts, the halving of extreme poverty by 2015 as prescribed by the United Nations’ first Millennium Development Goal?

Caution and discriminating, detailed analyses are called for in this context: for per capita growth in real terms, for example, the World Bank records only 1.6 % p.a. from 2000 to 2004, well below the growth figures in absolute terms given above. Although that figure is higher than those for the 1980s and 1990s (-1.1 % and -0.2 %, respectively), when the population of the continent was growing more quickly than its economic strength, it is becoming clear that the demographic challenge persists, since income has to be distributed among more people year by year.

The distribution of economic prosperity in sub-Saharan Africa is, moreover, relatively uneven. On average, gross national income (GNI) in the first five years of this decade amounted to a mere US\$ 330 per capita (if Nigeria and South Africa are excluded), whereas the equivalent figures for the 1980s and 1990s were US\$ 386 and US\$ 335, respectively. The figures also vary widely from one country to another: US\$ 92 for the Democratic Republic of Congo, US\$ 642 for Côte d’Ivoire and US\$ 3,286 for Botswana. These figures reveal that, economically, Africa is not the same everywhere, but needs to be viewed with a discriminating eye.

1 See World Bank: Press Release No 2007/115/AFR, 30 October 2006.

In terms of growth figures for the past ten years, *four groups of countries* can be distinguished:

- (i) *Oil-exporting countries*: As is to be expected, the highest increase of 7.4 % is achieved by seven countries currently exporting most of Sub-Saharan Africa's oil (29 % of the African population), which is due in part to the fact that prices per barrel in the world market have been rising for some years and to the efforts of the USA and China to diversify their sources of crude oil supply. The front-runner, with an impressive 20.7 % growth, is the small country of Equatorial Guinea. There are, however, serious doubts about the sustainability of such growth paths by economies based solely on the extraction of natural resources unless they invest in agriculture and manufacturing industry. Gabon, for example, has reached the point where production can no longer be increased. Its growth fell by half to 1.6 % p.a. between 2000 and 2004 compared to the 1990s.
- (ii) *Oil-importing countries*: Ranked at a similarly low level are 13 oil-importing countries, which account for 20 % of the African population and whose economic strength in the past ten years has grown by an average of only 1.3 % p.a. They include war-ravaged Eritrea (2.2 %), Zimbabwe (-2.4 %), plagued by galloping inflation since the political destruction of commercial agriculture, and Lesotho (2.7 %), its economy buoyed up probably no more than temporarily by the construction of 38 Taiwanese textile factories.
- (iii) *Countries on a flat growth path*: A third group of countries, accounting for 16 % of all Africans and ranging from Namibia (4 %) to São Tomé and Príncipe (3.1 %), is, at an average increase of 3.4 %, on a growth path that promises greater success but is generally too flat. In principle, it must be assumed that, as a result of their low starting level and geographical disadvantages combined with low growth, the countries in this and the previous group are indeed still caught in a macroeconomic poverty trap, from which they will hardly be able to free themselves by their own efforts.
- (iv) *Countries with "sustained" stable growth*: The World Bank and other observers are placing all their hopes in the 16 countries to which they attribute sustained stable growth because of their annual average increase of 5.5 % and which account, after all, for more than a third of the African population. The list extends from Cameroon (4.1 %) through Tanzania (5.4 %) to Rwanda (7.5 %) and Mozambique (8.4 %).

To better appraise the sustainability of African economic growth in recent years, let us briefly look at its structure. On the *output* side of GDP, it is noticeable, firstly, that major progress has rarely been made in agriculture, forestry and fisheries. Their share of sub-Saharan Africa's economic strength grew by 3.3 % in the first five years of this decade, but this, together with the figures for the 1980s and 1990s (2.3 % and 3.2 %, respectively), shows that, positive exceptions notwithstanding (as in the case of cassava and a number of very promising value chains in agricultural exports), there was no general increase in income, let alone a Green Revolution as in South-East Asia. In ten countries – foremost among them, Zimbabwe at -9.0 % – agriculture shrank. In the period being considered here, only Angola achieved two-digit growth, at 14 %, after the end of the civil war in 2003, while Mozambique can claim 9 %. In only nine of the 16 countries assumed to have achieved sustainable growth were the growth rates in agriculture above the average. In contrast, eleven countries in this group achieved above-average growth in the industrial sector (manufacturing industry, construction, electricity, water, gas) of up to 11 % (Mozambique). However, the World Bank also includes the mining sector. And, with the exception of Ghana, all the countries in this leading group are well above the average as re-

gards growth in the service sector, i.e. in all other sectors including public administration, Burkina Faso being the absolute leader at 12 %.

On the *expenditure side* it is becoming clear that sub-Saharan Africa as a whole consumes about four times as much as it invests (2000-2004: 80.6 % vs 18.1 % of GDP). The propensity to invest remains at the level of the 1980s and 1990s (18.5 % and 17.3 %, respectively); an upward trend is discernible only when South Africa is omitted from the calculation. The stagnation of the private propensity to invest in many countries (see Drachenfels / Altenburg, Chapter V) raises particular doubts about the African “growth boom” being self-sustaining, although the savings-income ratio among nationals has risen significantly from the extremely low level of the 1990s. Owing to the lack of investment, it has so far proved impossible to reverse the negative trend in the total factor productivity of labour, land and capital in Africa, that trend reflecting technological progress in particular, although some success has been achieved in the development of human capital thanks to improvements in schooling. Poor productivity is both the cause and the consequence of the lack of engagement of foreign investors.

Even at a historic record high of US\$ 31 billion, the continent received the world’s smallest share of foreign direct investment in 2005. Most of that sum still went to oil-production and mining. Outside South Africa, direct investment in manufacturing industry continues to be a welcome exception. There is no information backed by hard evidence on the investment of remittances by migrants working in the industrialized countries. However, as they are so small in scale compared to other regions of the world (according to the IMF, officially US\$ 6.7 billion in 2005), they do not in any way compensate for the lack of foreign direct investment. A proposal by the UK-led Commission for Africa seems worth considering again in this context: investment risk protection guarantees, somewhat similar to the model of the German Hermes export insurance should be accessible to both foreign and domestic investors, especially in post-conflict countries.

The ratio of exports to imports in the first five years of the present decade was positive in only nine countries (the oil-producers and South Africa). Most countries must still be assumed to be suffering from structural foreign trade deficits, which are unlikely to be overcome in the short term. This must be particularly underlined in view of the unique economic dynamism of China and of the resulting growth of demand for African raw materials, which in many cases has led to a reversal of the trend in the terms of trade (see Fues, Chapter V). The welfare gains may continue for some time in the case of selected primary goods, since their prices are, according to the latest IMF analysis, hardly excessive due to speculation or cyclical factors. The drawback of the rise of China (and of other Asian exporters) for the African economies can, however, be seen in the textile sector, where African firms are adversely affected by poor competitiveness in both exports to the countries of the Organisation for Economic Cooperation and Development (OECD) and in their domestic markets, since one third of Chinese exports to Africa consists of textiles.

2 Approaches to ensuring sustainable growth

This brief analysis has shown that growth has been far from uniform throughout Africa and that doubt about the sustainability of the positive trend is not out of place. It has yet to be decided how many and which economies have really escaped the danger of falling back

to a state of low-level equilibrium after a cyclical upward movement because in the end appreciable productivity gains have failed to emerge. What is certain is that Africa as a whole will not achieve the first of the UN Millennium Development Goals (combating poverty), since the necessary growth rate of at least 7 to 8 % will not be reached. The question that still arises, therefore, is how the industrialized countries' development policies can give the African nations greater support with a view to actually perpetuating the change of trend.

This is the subject of a heated international debate, the participants in which are not really capable of coming to any kind of agreement. One side ("ODA plus") calls, like Jeffrey Sachs and the United Nations' Millennium Project, for a massive increase in development assistance. It believes that a broadly based "big push," especially in the form of large-scale infrastructure projects plus capacity-building in public administrations to increase their absorptive capacity, will help economic growth to make the breakthrough in the sub-Saharan African countries. In contrast, the position of the other side (Easterly and others), taken to the extreme, maintains that the universal attainment of more "good governance" will be the best basis for sustainable growth and will ultimately render assistance superfluous ("Governance plus"). This perspective suggests that the donors should withdraw from the field and that any support other than emergency aid should be concentrated on countries which satisfy clearly defined economic and political conditionalities. The World Bank occupies an unclear middle position in this debate, since it accepts a "big push" only for physical infrastructure ("closing Africa's infrastructure gap"), otherwise relying, in a spirit of economic minimalism, on general good governance to have an impact on growth.

The fact that, in their polarity, both views miss the mark cannot be discussed fully here (for this, see Asche 2006). But the following should perhaps be pointed out: the variant of the lack of capital theory endorsed by Sachs et al. overlooks to some extent the speed at which the effect of investment in infrastructure can fizzle out unless it is accompanied by the purposeful development of the private sector and thus of productivity. This can succeed only if there is a courageous effort in coordinated industrial policy at least in some selected countries and calls for better regional economic integration than currently exists. The objection to the position of the good-governance school is that, despite the intuitive plausibility of its arguments, it has so far proved impossible to scientifically demonstrate the link between governance and growth by econometric means. This criticism is not, it should be noted, levelled at the call for responsible governance, but at the blanket confidence in the view that a good investment climate, without a purposeful structural policy, is enough in itself to make good Africa's underdevelopment.

3 Conclusions for the G8 and EU Council Presidencies

The most important conclusion to be drawn from our overview is that, though welcome, the positive growth in Africa is not high, broad or sustainable enough to obviate the need for the increase in development aid decided at Gleneagles in 2005. But it does give international development cooperation a better chance of succeeding than in the past.

As the current growth trend is not having sufficient an impact on poverty, the German government should advocate during its dual Presidency that development cooperation with Africa be geared more closely to pro-poor growth. Promotion should be aimed particularly

at the sectors of the economy in which the poor can find more employment: agriculture and light industry associated with it. This should be backed by the development of elementary social safety nets.

In December 2005 the European Council approved its “*The EU and Africa: Towards a Strategic Partnership*” (see Grimm on the EU-Africa Strategy, Chapter V). During its EU Presidency the German government should endeavour to ensure that the declaration and thus the programmatic precepts to be found under the heading “*Sustainable Economic Growth, Regional Integration and Trade*” are expanded into a *coherent promotional strategy* for the private sector. The measures listed should be coordinated within a broader framework and geared to the mobilization of massive additional investment in (food) agriculture, selected infrastructure projects and industries in which the promotion of inter- and intra-industrial complementarity is likely to increase productivity and employment. The projects referred to in the Council document, ranging from an Infrastructure Partnership through regional Economic Partnership Agreements (EPAs), including development-friendly trade rules, to the environmental sphere, remain appropriate in themselves; however, the risk of the EPAs requiring disproportionate trade liberalization of the poorest African countries must be countered politically.

In view of the current bull market in raw materials, the G8 should take a special interest in the resulting gains being used to the benefit of the people of the assisted countries. It is important in this connection to ensure that revenues from raw materials are transparent. Under a decision taken at an earlier G8 summit a particularly useful tool in this respect is the Extractive Industries Transparency Initiative (EITI), in which various governments, enterprises, development institutions and non-governmental organizations (NGOs) have joined forces. As the significance of the EITI in development strategy terms cannot be rated highly enough, Germany should canvass in the G8 context for more than just the formal involvement of the USA and China in the initiative. Germany can advance the EITI cause, for example, through its own planned contribution in Central Africa if in the process it shows the political courage to set an example in attacking conflictive complexes (such as the natural-resource-based economy in the DR Congo).

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Debt sustainability and Africa's development

Kathrin Berensmann

1 The importance of debt sustainability for Africa's development

According to the German Finance Ministry, the G8 summit in June 2007 will focus on "the shaping of the globalized world economy and the development of Africa." Africa's considerable foreign indebtedness is one of the most serious economic problems. A sustainable foreign debt is one of the requirements for the economic development of this region, since a heavy foreign debt impairs economic growth, and the financial resources needed for investment in infrastructure and human capital are absorbed by debt servicing.

Against this background, a number of systematic initiatives have been launched or undertaken for the low-income countries in the past ten years with a view to their achieving debt sustainability. The donors have granted the sub-Saharan African countries in particular extensive debt relief. From 2002 to 2004 almost 75 % of the debt relief granted by the members of the Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) benefited sub-Saharan Africa, as compared to only a third from 1990 to 2001 (World Bank 2006).

2 Initiatives to achieve debt sustainability in Africa

HIPC Initiative

The initiative launched for the Heavily Indebted Poor Countries (HIPC) is the first systematic and coordinated procedure for relieving the debts of low-income countries and involves multilateral and bilateral official creditors. Although this initiative has entailed extensive debt relief operations, the foreign debts of many HIPCs are still very high.

So far 29 countries have been able to qualify for the HIPC Initiative because of their serious indebtedness, their low income, their reformed economic policies and their Poverty Reduction Strategy Papers (PRSPs). Of these, 25 are sub-Saharan African countries. A total of 19 countries completed the initiative (HIPC graduates) by the summer of 2006 and so received comprehensive debt relief. Of these, 15 are sub-Saharan African countries. Besides the 29 that have qualified for the HIPC Initiative, eleven can potentially be considered for it, but have so far been unable to qualify because of political instability and inconsistent PRSPs.

Although the Enhanced HIPC Initiative has enabled indebtedness to be greatly reduced in quantitative terms, since, as a whole, it fell by half in relation to exports in the HIPCs from 1998 to 2005, some HIPC graduates, especially in sub-Saharan Africa, are still or again heavily indebted, examples being Ethiopia, Burkina Faso, Mozambique, Rwanda and Uganda. Moreover, the IMF and World Bank estimate that, on the conclusion of the initiative, half of those who have not yet graduated will again have unsustainable debts.

As, however, the *causes* of the high level of foreign indebtedness in sub-Saharan Africa are often to be found in persistent structural problems and exogenous shocks, most coun-

tries in this region will be unable in the short and medium term to earn the financial resources needed to reduce poverty, as dictated by the Millennium Development Goals (MDGs), to counteract exogenous shocks and to achieve debt sustainability. Consequently, debt relief is a requirement for the economic development of the low-income countries (Berensmann 2005).

Multilateral debt relief

In the summer of 2005 the industrialized countries meeting at the G8 summit at Gleneagles launched the Multilateral Debt Relief Initiative (MDRI) for HIPC graduates and a number of other low-income countries. All the debts owed by those countries to the International Monetary Fund (IMF), the International Development Association (IDA), a subsidiary of the World Bank, and the African Development Fund (AfDF) are to be cancelled.

With respect to debt relief, the MDRI goes further than the HIPC Initiative, under which not all debts to the multilateral donors have been cancelled. In contrast to the HIPC Initiative, it is not proposed that the private and official bilateral donors and multilateral donors other than the IMF, World Bank and AfDF should also grant debt relief.

The total amount involved in the additional debt relief for these countries is about US\$ 50 billion. In the spring of 2006 the IMF and World Bank estimated that, following the multilateral debt relief operation, the debt-to-exports ratio of 18 HIPC graduates would fall from some 140 % to about 52 %.

The following access criteria have been adopted for the MDRI: HIPCs must have reached the completion point, and non-HIPCs must have a per capita income of less than US\$ 380 p.a. Countries must also demonstrate satisfactory performance in three core areas: macro-economic policies, successful implementation of a poverty reduction strategy (described in a PRSP or similar framework) and good public expenditure management (PEM) (IDA 2005; IMF / IDA 2006; World Bank 2006).

Although the MDRI represents a separate form of debt relief, it is linked to the HIPC Initiative inasmuch as only HIPC graduates which have undertaken economic and political reforms and implemented a PRSP are granted this relief.

A criticism that must be levelled at the MDRI is that conditionality exists only indirectly through the new allocation of financial resources within the framework of the IDA's performance-related mechanisms. At a stroke and without further conditions, HIPC graduates are granted relief in respect of all their debts. In other words, debt servicing is cancelled for up to 40 years regardless of future governance and national economic policies. Gradual relief, with regular checks made for improved governance and economic policy, would have been more appropriate.

Furthermore, the equal treatment of all low-income countries is not fully guaranteed under the MDRI, since only the debts of HIPC graduates and a few other low-income countries will be entirely cancelled. The HIPCs are, however, no longer all heavily indebted, having already received considerable debt relief under the HIPC Initiative.

Debt Sustainability Framework

To preclude renewed cases of debt in low-income countries, the World Bank and IMF have launched the Debt Sustainability Framework (DSF), which is to play a determining role in decisions on the allocation of loans and grants from the IMF and World Bank facilities. This framework includes a country-specific debt sustainability analysis and is meant to reveal critical debt situations in developing countries before they occur (IMF / IDA 2004a, 2004b).

The DSF is a good approach to contributing to debt sustainability in sub-Saharan Africa in the long term, since it makes a country-specific and forward-looking analysis possible. However, it has a number of weaknesses: domestic indebtedness should be included in the analysis as a threshold value, rather than only in the accompanying analysis of debt sustainability, since domestic indebtedness influences external repayment capacity. It will also be difficult to coordinate and discipline donors. Bilateral and multilateral donors may not refrain from allocating further loans if threshold values are found to have been exceeded in the World Bank's and IMF's analysis of debt sustainability.

3 Conclusions for the German G8 and EU Council Presidencies

In the past ten years a number of initiatives have thus been launched and agreed with a view to reducing the foreign debts of low-income countries and especially of African countries. In the case of the two latest initiatives – the DSF and the MDRI – implementation began in 2005 / 2006, but it is still too early to learn specific lessons from them and to call for further debt relief before it is known what impact these two initiatives have.

Extensive debt relief is a major requirement if both debt sustainability and the MDGs are to be achieved by 2015. For this the low-income countries may need even more external financial resources than the donor community has so far provided. A high debt-service burden in particular ties up a considerable proportion of internal financial resources, which cannot therefore be used to achieve the MDGs. But debt relief is not a panacea. It is necessary for development, but it is not enough on its own. If the poorest countries are eventually to emerge from the debt trap, all concerned – creditors and debtors – must take suitable economic measures that have a lasting impact.

The G8 and EU can help to make indebtedness sustainable, firstly, by allowing themselves to be guided by the World Bank's and IMF's analyses of debt sustainability. Only if the donors coordinate their conduct can debt sustainability be guaranteed in Africa in the long term. Secondly, the industrialized countries should open their markets to products from the debtor countries, because rising exports by the African countries may increase their export earnings and so improve their ability to repay their external debts. For one thing, the industrialized countries should waive or at least greatly reduce tariffs on products from developing countries. The tariffs imposed by some industrialized countries on agricultural products from least developed countries (LDCs) are also very high. For another, they should reduce the subsidies they grant to goods they produce themselves, such as many agricultural products. The subsidization of exports of cotton produced on American farms is a good example of this.

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HIV/AIDS as a development problem in sub-Saharan Africa

Nina Kielwein / Klaus Liebig

1 Scale and consequences of HIV/AIDS in sub-Saharan Africa

The Acquired Immune Deficiency Syndrome (AIDS) has become one of the main obstacles to development in sub-Saharan Africa in the space of a few years. In many countries of the region, and especially in sub-Saharan Africa, average life expectancy today is less than it was a few decades ago. The pressure exerted by the problem is tremendous – as are the challenges in identifying an efficient and sustainable approach to tackling the problem. This short essay outlines the scale and consequences of HIV (Human Immunodeficiency Virus)/AIDS in sub-Saharan Africa, before describing the principles of successful problem-solving approaches. It concludes with tasks for the donor community, since sub-Saharan Africa cannot solve the problem on its own. It remains to be seen whether or not the G8 summit lives up to the high expectations of additional efforts by the G8 countries to combat HIV/AIDS that were aroused at Gleneagles.

Sub-Saharan Africa accounts for 10 % of the world's population, but for about 64 % of all HIV sufferers. An estimated 6.1 % of the adult population are infected. UNAIDS (Joint United Nations Programme on HIV/AIDS) refers to HIV/AIDS epidemics in sub-Saharan Africa and to major regional and local variations (Table 1). Southern Africa is the worst affected region of sub-Saharan Africa and of the world: it accounts for 2 % of the world's population, but for 30 % of all HIV sufferers. Of those affected in sub-Saharan Africa, 58% are women, and of the 17.5 million women infected in the world, 13.2 million live in sub-Saharan Africa. It is estimated that in 2005 2.7 million adults and children were newly infected by the virus and 2 million people died of AIDS. Most deaths occur in the 25- to 49-year age group.

Table 1: Regional comparison of HIV sufferers as a proportion of the adult population (15 to 49 years of age), estimated, 2005	
Region	HIV sufferers
North Africa	0.1 %
West and Central Africa	4.5 %
Senegal	0.9 %
CAR	10.7 %
East Africa	6.0 %
Uganda	6.7 %
Tanzania	6.5 %
Southern Africa	16.0 %
Angola	3.7 %
Botswana	24.1 %
Sub-Saharan Africa	6.1 %
Source: on line: http://www.unaids.org	

The socio-economic consequences of HIV/AIDS at *micro level* are devastating. Private households are faced with the considerable expense of treatment and with a reduced income where one of the parents is infected. Hardest hit are the “AIDS orphans,” an estimated 12 million children, mostly in southern Africa, who rarely attend school and whose need for support is a heavy burden on family networks. This may lead to the collapse of social structures – with serious consequences for the whole of society. In countries/regions where its prevalence is high, HIV/AIDS has reached sensitive proportions in many firms and is having an adverse effect on both production and productivity. The public sector is similarly affected. Tuition in schools does not take place because of the shortage of teachers; schools have to be closed. The health systems, already weak in most cases, have to cope with the additional burden of high rates of HIV/AIDS. Food production is hampered by the absence of workers and the restriction of subsistence production. Prevalence among members of the armed forces is often particularly high, making it difficult to develop a professional security apparatus.

The consequences of high rates of HIV/AIDS at *macro level* are extremely complex and difficult to quantify. The World Bank assumes that, upwards of a national prevalence rate of 8%, economic growth is reduced by 1 % of gross national product (GNP) per capita. Among the main reasons for this are (i) the illness of productive and/or skilled workers, which is reflected in reduced life expectancy and a change in population structure, and (ii) the diversion of resources from investment in the health sector. Productivity in the various sectors is declining; revenue and the tax basis are dwindling; consumption and savings rates are falling. As a result, government budgets have fewer resources for necessary investment in health care and education. Many long-term consequences, such as the loss of institutional or corporate memory, are, moreover, impossible to estimate. High HIV/AIDS prevalence may also have an adverse effect on political stability, democratization efforts and societal cohesion.

In sub-Saharan Africa HIV is transmitted mainly by unprotected, heterosexual intercourse. The spread of HIV/AIDS in sub-Saharan Africa is favoured by political, economic, social and medical factors, such as poor education, inadequate access to information, the position of women in society, failure to treat sexually transmitted diseases (STDs), a high level of migration due to unemployment (migrant labour), conflicts and natural disasters. The risk may be further increased by beliefs and traditions (such as polygamy, the circumcision of women and other traditional practices) and an understanding of disease and sexuality influenced by them.

Many risk-increasing factors are thus due to the poverty of households – poverty being both cause and effect. The fight against HIV/AIDS is therefore of direct relevance to the reduction of poverty. At the same time, poverty reduction is an important, though not the only, approach to preventing the further spread of HIV/AIDS.

2 Problem-solving approaches to preventing the further spread of HIV/AIDS

HIV/AIDS programmes that are country-specific, multisectoral and participatory and adopt a multi-stakeholder approach have so far proved successful. For HIV/AIDS programmes to be effective, much depends on political will and the involvement of as many

societal actors as possible (non-governmental organizations, Churches and religious groups, the private sector, the media, etc.). Interdependent aims of the programmes should be (i) halting the further spread of the disease (prevention) and (ii) providing general treatment and care. The prospect of treatment increases the willingness of people to undergo tests and so contributes to prevention. UNAIDS concludes that prevention and treatment are two sides of the same coin. On the other hand, the impression that HIV/AIDS is a curable disease must not be allowed to arise, since that might further encourage incautious behaviour.

Prevention: The development of a vaccine is not yet foreseeable; changes of behaviour consequently remain the most important approach to prevention. This may be achieved eventually and indirectly through a change in the environment that increases susceptibility to HIV/AIDS – primarily through the reduction of poverty and through general access to education. Another important approach consists in strengthening the sexual self-determination and economic independence of women. Direct awareness-raising measures are sex education, especially for young people, the promotion of the use of condoms and general (and, ideally, free) access to advice and tests. Religious and traditional leaders, too, can make an important contribution to raising awareness. Hazardous traditional practices can be adapted to take account of the risk of AIDS (example: traditional cures using razor blades provided by the patients themselves). Treating sexually transmitted diseases that increase the risk of HIV infection and avoiding mother-to-child transmission are medical contributions to prevention.

Treatment and care: The treatment of AIDS is essential not only on ethical grounds, but also because of the devastating socio-economic consequences it has. Antiretroviral (ARV) drugs have been used in industrialized countries for well over ten years to strengthen the immune system and delay the onset of AIDS. In developing countries, the prices of ARV drugs have fallen sharply in recent years as a result of the availability of cheap generic versions of ARVs, especially from India. These generic drugs could be produced in India because drugs were not protected by patents in that country until the end of 2004. In the future Indian producers will only be permitted to supply ARV drugs, for which it has been possible to obtain patent protection since 2005, to sub-Saharan African countries under restrictive conditions. Despite the fall in prices, fewer than 20% of patients in sub-Saharan Africa have access to ARV drugs; the health services of most sub-Saharan African countries are unable either to finance the drugs from their own resources or to distribute them through suitable channels. ARV treatment must be accompanied by regular counselling; many countries, however, lack the necessary health infrastructure, especially in rural areas. Access to drugs that combat “opportunistic infections” is similarly very limited in large parts of sub-Saharan Africa.

3 Tasks for the G8 and EU

The international community was slow to react to the emerging epidemic in sub-Saharan Africa. But today almost all donor countries and international organizations and many non-governmental organizations (NGOs) and private foundations (particularly the Gates and Clinton Foundations) are implementing HIV/AIDS prevention and treatment projects or supporting the partner countries’ national programmes. With the sixth Millennium Development Goal (MDG), the international community undertakes to halt the spread of

HIV/AIDS by 2015. Despite a huge increase in financial resources for the fight against HIV/AIDS in recent years (from US\$ 300 million in 1996 to US\$ 9 billion in 2005), UNAIDS still complains of a lack of funding.

UNAIDS also diagnoses an “implementation crisis” on the grounds that the resources available are not being used optimally. A basic reason for this is that too many organizations are operating in countries whose health systems do not have adequate institutional capacities. The donor institutions present must be deployed according to their comparative advantages. At their meetings in 2003 and 2005 the donors adopted the principles of the “Three Ones,” derived from the more general Paris Agenda:¹ *one* HIV/AIDS Action Framework in the country in which the partners’ programmes are located; *one* national AIDS Coordinating Authority with a broad-based multisectoral mandate; *one* country-level Monitoring and Evaluation System. Currently, these principles are being observed in only a few countries, for which the major donor institutions with their overlapping mandates and different procedures are partly to blame.

In recent years, particular international attention has been paid to access to ARV drugs as a costly element of an overall strategy for combating HIV/AIDS. At the G8 summit at Gleneagles the African heads of state or government were promised, among other things, that there would be “*as close as possible to universal access to treatment for AIDS by 2010*” – an extremely ambitious goal, considering that currently only about 17% of all those infected in sub-Saharan Africa who need treatment have access to it. In view of the serious effects of HIV/AIDS and the international commitments already entered into, the international community is under considerable pressure to come up with early and efficient solutions together with the African countries affected.

1 In the Paris Agenda donors and developing countries agreed on principles of development cooperation designed to ensure the efficient provision of aid. It constitutes what is currently the most important international consensus on development cooperation.

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III Political challenges:
is governance in Africa good enough?

Governance challenges in sub-Saharan Africa

Sven Grimm / Stephan Klingebiel

1 The governance situation in sub-Saharan Africa

Governance is an increasingly important issue in political debates in Africa and in academic thinking on the continent. Such pan-African initiatives as the New Partnership for Africa's Development (NEPAD) and the African Union (AU) have resulted in the debate on governance challenges turning more and more to subjects that were once taboo in international dialogue. "Non-interference in internal affairs" is no longer deemed to be an acceptable reason for neglecting issues.

Since the early 1990s processes of political transformation have begun in many sub-Saharan African countries; regime change has occurred in many cases. Africa as a whole has become politically more varied and more open; the participation of the people in political processes through elections has increased. Authoritarian structures have given way to a more pluralistic regime in a number of countries in Africa: Benin, Cape Verde, Mali, Ethiopia, Ghana, Liberia, Sierra Leone, South Africa, Namibia and Mozambique. At the same time, there has been more or less obvious regression – with some delay in certain cases – to authoritarian structures, as in Zimbabwe, Ethiopia, Eritrea, Congo-Brazzaville and the Gambia. In Botswana and Mauritius, Africa also had two consolidated democracies even before the end of the Cold War, and long-lasting structures marked by varying degrees of autocracy continued beyond 1990, as in Guinea, Gabon, Cameroon, Togo and Burkina Faso. Some countries have, on the other hand, experienced political regime change and then an implosion of government structures, examples here being Somalia, Zaire/Congo, Guinea-Bissau, Côte d'Ivoire and the Central African Republic.

Africa is heterogeneous; contradictory trends often occur simultaneously. On average, sub-Saharan Africa is, together with Europe, the continent in which political rights and civil liberties are considered to have improved most in the past 15 years. In 2006 eleven of the 48 sub-Saharan African countries were classified by *Freedom House* as being "free" and 22 as "partly free." Despite political change, sub-Saharan Africa still rates low compared to other regions as regards many aspects of governance, according to World Bank data, lower than Latin America, South-East Asia and the Middle East/North Africa. Where "political governance" is concerned, on the other hand, Africa occupies a more central position: the figures for the "voice and accountability" aspect of governance are generally negative, but still better than those for South-East Asia and far better than the figures for the Middle East/North Africa. In all other respects (political stability, effectiveness of government, quality of regulation, rule of law and control of corruption), however, the sub-Saharan Africa region brings up the rear. Particularly poor are the findings in the areas of effectiveness of government and rule of law.

Positive departures from the African mean usually relate to a group of countries that includes, in particular, Botswana, Namibia, Mauritius and South Africa; Cape Verde, Senegal, Mali, Ghana and Benin are also among the countries where the governance situation is relatively favourable.

2 Fundamental challenges

Given the heterogeneity of sub-Saharan Africa, governance problems take very different forms in individual countries and subregions. Fundamental challenges exist in the following areas:

- The majority of the political transformation processes that have taken place in the past 15 years or so have been positive and characterized by democratization efforts and more pluralistic political systems. Despite the political changes, the impacts on the legitimacy of regimes have tended to be limited, and systemic features have often not been overcome. Many political systems continue to be dysfunctional. Even in formally democratic structures “big men” frequently decide who has access to funds and government offices and how government resources are used. Although the distinction between public and private goods formally exists, officials often decide how the rules are interpreted or deliberately disregard them. Formal procedures are thus retained, but eclipsed or eroded by “neopatrimonial” structures.
- In many parts of Africa government is far from fully capable of performing its core tasks (such as the provision of basic social and economic services) effectively. The problems that clearly exist in respect of the effectiveness of institutions are most in evidence in the executive, but they also affect the legislature and judiciary. Serious shortcomings exist in sub-Saharan Africa as regards the quality of government regulation and the enforceability of contracts. Combating corruption is an obvious weakness of governance in Africa. As a rule, the type of regime largely determines the institutional capacities of the African countries in this context.
- Most African countries are organized along centralistic lines; federal structures are the exception. Only Nigeria, Ethiopia and Tanzania and, in restricted form, South Africa and Sudan (according to the peace agreement) have formally established federal systems. Even in the federal states the ability of the subordinate structures to function is often hampered, if not prevented, by limited funding. Local revenue from taxes and other charges is usually very low. Government receipts – customs duties, revenue from raw materials (crude oil and such agricultural products as coffee and cocoa) and development cooperation funds – are primarily the responsibility of central government, the latter being, even in democratic regimes, highly centralized and tailored to the president as a person. In dysfunctional countries power and resource structures are, on the other hand, de facto decentralized in the absence of effective central government (Democratic Republic of Congo, Côte d’Ivoire, Somalia), but without any local accountability structures being created.
- The inadequate effectiveness of government action finds expression in many countries and regions in the absence of physical security. There is often no functioning government monopoly of power. In most violent conflicts such non-governmental actors as rebel groups, warlords and traditional authorities play an important role. In some cases, these groups act in a confused manner and without a clear political agenda; in other cases, unambiguous political and/or economic motives are discernible. Private security services increasingly “replace” non-existent government security entities.
- The deficient provision of physical security manifests itself in different ways. The total collapse of government structures is still the exception in the continent of Africa (as in Somalia; Sierra Leone and Liberia are in the process of reconstruction). However, many countries in the region are structurally unstable. Almost none of the African countries is able to assert its monopoly of power effectively (Nigeria, Sudan, Democratic Republic of Congo, etc.). Even in countries that are functioning relatively well (such as Kenya) the government does not have a monopoly of power every-

where, or at least not in rural areas. The provision of security by the police is severely restricted and, for ordinary citizens, often non-existent. The ready availability of weapons (as in parts of Nigeria and South Africa) contributes to instability and, in some cases, to high levels of violent crime.

- The action that most countries of sub-Saharan Africa are able to take depends not on government receipts (i.e. customs duties, tax revenues, etc.) but often – and especially in the case of the least developed countries, a category that includes two thirds of the sub-Saharan African countries – to a considerable extent on external support in the form of development aid. The scale of this external support also influences the governance structures of the various countries. It may weaken governance structures, when political mechanisms have their competences reduced (e.g. parliaments' opportunities for shaping the budget), national capacities are circumvented, accountability structures are geared to the donors, and the implementation of policies is made dependent on donors' decisions.

3 Conclusions for the German G8 and EU Council Presidencies

For the G8's and EU's political dialogue with the representatives of the African continent it would be appropriate to continue to attach considerable importance to the issue of governance. Aspects of governance are decisive for the success or failure of development. In these circumstances, the following points need to be emphasized:

- In the past 10 to 15 years governance progress has been made in sub-Saharan Africa; this change should be acknowledged. Initiatives to support and monitor these processes (such as approaches to the measurement of governance quality by NEPAD, or the APRM, or by the UN Economic Commission for Africa – UNECA) are particularly worthy of support.
- Governance progress is, however, fragile in some cases at least. Developments in Ethiopia, Eritrea and Uganda, for example, show that the reputation of the heads of state or government initially welcomed as the "new generation of African politicians" has waned significantly within a few years. What Africa lacks is less political leaders than sustainable political structures and institutional checks and balances.
- The donor community has yet to develop a sufficiently differentiated approach to different types of country. The debate on how, for example, to handle countries that have massive governance problems has only just begun. Further efforts should be made in this area to devise differentiated approaches and instruments.
- Even greater account should be taken in political action of the impact which development cooperation – whether engaged in by European or non-European countries (see Fues, Chapter V) – has on the structures and quality of governance in the countries of the region. Additional efforts are needed to determine how any adverse impacts can be counteracted.
- While the implications of development policy for the structures and quality of governance are analysed fairly systematically, there is a discrepancy as regards action taken under foreign policies. Knowledge of foreign policy instruments (contents of policy dialogues, conflicts of objectives between, say, the issues of "governance" and "combating terrorism") and the attention paid by foreign policy to governance challenges in Africa are currently very limited. In these areas, too, more practical goals therefore need to be defined.

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NEPAD's African Peer Review Mechanism (APRM) – opportunities for G8 und EU support?

Sven Grimm

1 Foundations of the APRM

In Africa – like Europe – many countries have undergone radical political change since 1990. Even at continental level political structures are changing. A number of African initiatives have been launched in recent years. Most important among them are the African Union (AU), established in 2002, and the New Partnership for Africa's Development (NEPAD), a programme adopted in 2001, which are seeking to change the environment for social and economic development; good governance is the goal. Interference in the "internal affairs" of the AU member countries is thus no longer a taboo, as it was under the predecessor organization, the Organization for African Unity (OAU). In NEPAD, African countries are endeavouring to improve their own governance; it is considered their responsibility. It was not least because of this fundamental change in perspective that the G8 reacted very positively in 2002 to the African initiative and formulated an Africa Action Plan at Kananskis in Canada. Where Africa is concerned, proclamations of support for NEPAD have since become a standard element of G8 summit communiqués.

The African Peer Review Mechanism (APRM) forms part of NEPAD. The review process is a key element of the NEPAD programme; however, not all NEPAD members have committed themselves to a peer review as such. The APRM is a voluntary tool for improving African governance, 26 African countries having so far signed the basic documents. Three reviews have been completed (Ghana, Rwanda and Kenya), and a number of others have reached various stages (South Africa, Algeria, Benin, Burkina Faso, Nigeria, Mauritius, etc.).

The aims of the review process concern four dimensions of good governance:

- *democracy and political governance*, i.e. ensuring accountable, efficient and effective public administration and combating corruption in the political sphere,
- *economic governance*, i.e. implementation of transparent, predictable and credible macroeconomic policy by the government; promotion of sound public financial management and measures to combat corruption and money-laundering,
- *corporate governance*, i.e. creation of a supportive economic environment and an effective regulatory framework for economic activities; promotion of the observance of ethical codes in the achievement of corporate goals; ensuring fair treatment of shareholders and employees,
- *socio-economic development*, i.e. promotion of a country's reliance on its own efforts and abilities in the development process so that the latter may become sustainable; strengthening policy and implementing mechanisms and improving outcomes in main areas of social development.

The use of active terminology in the APRM documents – "create," "promote," "ensure," "implement" – illustrates the nature of the APRM. It is meant not only to gauge and appraise present governance but also to help improve governance in Africa. The voluntary

peer review process is designed to encourage the African countries to learn from each other by recognizing and disseminating best practice.

The peer review is a relatively new and entirely African initiative for examining and appraising governance in the continent. It was introduced in May 2002 and reflects the experience of the peer reviews conducted e.g. by the OECD (Organisation for Economic Co-operation and Development) or the International Monetary Fund in the macroeconomic sphere. Unlike the OECD peer review, which takes place at administrative level within the Development Assistance Committee (DAC), the APRM is conducted by eminent persons: it is not conceptually a process carried out by ministerial administrations. The peer review report is written on the basis of country self-assessments, and based on an assessments by a team of country experts led by the eminent persons. Both initial reports are assembled into the peer review report; its findings are discussed by the heads of state or government. For the first time, African heads of state have committed to give an account of their policies, i.e. on largely internal issues, to their peers – although observers' views on the depth of the discussion have differed. The fact that the reviews take place at the highest political level in Africa ensures confidence that they are geared to African priorities, but it is also one of the most serious obstacles to the rapid processing of the peer reviews. Furthermore, and if only because heads of state normally have heavy agendas, it introduces an element of uncertainty as regards the depth of discussion.

Besides the acknowledgement of the basic documents in a Memorandum of Understanding – and thus a commitment to the process – there is no “objective” examination of conditions in the participating countries before they join the APRM. One such criterion would be the holding of free and fair elections. The African peer review is very much based on the assumed logic that a commitment to certain standards will result in those standards being enforced by national actors and peers (the other heads of state or government), as was the case, for example, with the Helsinki Final Act in Central Europe in the 1980s. The APRM signatory states therefore include countries whose commitment to good governance is, for various reasons, currently rather questionable, such as Rwanda, internally still riven after the genocide, and Cameroon, where corruption is rife. “Talking the talk” means, however, that various groups, including national ones, can ultimately be required to “walk the walk.” Under the APRM, good governance is not a condition imposed from outside, but an entirely voluntary commitment; its “gentle power” ultimately stems from ownership, i.e. the feeling that this is an African process devoid of any external compulsion. However, some African showpiece countries, such as Namibia and Botswana, are evidently unconvinced of the benefits of the peer review for their societies and have so far stood aloof from the process.

2 Current challenges for the implementation of the APRM

The interpretations regarding the arrangement of APRM reviews differ among the participating countries: Ghana has set a very good example by having the process carried out by recognized members of civil society, while Rwanda, Burkina Faso and even South Africa intend, or intended, to involve government authorities to a far greater degree. The form taken by the guiding bodies for the APRM varies widely in terms both of size (from seven members in Ghana to around 100 in Benin) and of composition. The importance and the

interference of the executive in the peer review process – and even the involvement of civil society – are a constant source of intra-African debate.

Opinions also differ among the various countries on the importance of the material requirements for development (especially infrastructure) compared to intangible political culture. These differing perceptions are also to be found in the various plans that have informed NEPAD – from those attuned more to transcontinental networks to aspirations to an African political renaissance. Many debates therefore centre on the supposed antithesis of “governance capacity” and “good governance” as requirements for development.

The heavily emphasized national plans for implementing the peer review findings are particularly under discussion: the question for the African countries is how far civil society and parliaments are (or should be) involved in the establishment of these plans of action. There are evidently fears that the plans of action will subsequently be used by the executive to influence the process to its own ends – a concern that flared up again, for example, when the draft report was being reviewed in South Africa. On the other hand, donors ask whether the question of the calculation of the cost of these plans of action is kept far enough apart from existing national development plans or even from national poverty reduction strategies. Partly at the urging of the donors, Ghana has, for example, taken the second step of aligning the cost of the APRM plan of action with its poverty reduction strategy.

3 Conclusions: opportunities for G8 and EU support

African ownership of the process makes it difficult for the donors to become involved in the APRM. The peer reviews are partly financed through a UNDP (United Nations Development Programme) trust fund. Here again, there were evidently differences of opinion during the first few review procedures over UNDP’s actual role. Donors are – rightly – wary of being regarded as overly involved in the process and in some cases therefore prefer to offer to finance the subsequent plan of action rather than concerning themselves with the process itself.

At present, the APRM probably receives its most extensive and direct support from the European Union (EU). It is the EU’s avowed aim to take the findings of the APRM reports as a basis for “governance profiles” of the partner countries. Once drawn up, these profiles are in their turn to serve as the basis for the allocation of special resources for good governance. The EU’s governance initiative was explained in a communication from the Commission in August 2006 and has meanwhile become relevant to the planning for the 10th European Development Fund (EDF). In all, EUR 3 billion is to be made available between 2007 and 2013 for incentive payments over and above standard EDF allocations. African partners view this public emphasis on the increase in resources with extreme scepticism, since the additional payments that have been announced will ultimately be financed from old EDF monies that have not yet been disbursed. Their additionality is therefore by no means clear.

Working with incentive systems to promote good governance must undoubtedly be regarded as a change for the better in the European approach – away from the conditionalities that were still the norm in the 1990s and were usually ineffective. Basic requirements

if incentive systems are to succeed, however, are consistent application and flexibility to enable them to respond to changing conditions. The 2007 EU Council Presidency must therefore take particular care to ensure that the form of the governance incentive tranche is result-oriented, i.e. that any promises made can be kept quickly and unbureaucratically. Past experience of the EDF financing instruments in this sphere is not very encouraging. Any impression that the course of a peer review has been influenced or the agenda has been decided externally must also be avoided so that African ownership is not undermined.

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The new peace and security architecture in Africa: G8 and EU interests and approaches

Stephan Klingebiel

1 Development and state of the new African peace and security architecture

Violent conflicts are one of the core problems in the African continent. Even on a global scale the conflicts that occur in Africa are of considerable relevance, since they cause very many casualties and form particularly stubborn and complex situations, as the conflicts in the Democratic Republic of Congo and the Darfur region of Sudan have shown. Although the number of ongoing wars has decreased in recent years (i.e. only five cases classified as wars in 2005), the number of violent conflicts remains very high: at a total of 27 cases (2005), much of sub-Saharan Africa is directly affected by violent conflict, with other countries indirectly affected by instability and insecurity. Nor does the continuing potential for conflict allow of the conclusion that there will be a lasting change for the better in the near future.

Although conflicts between states, such as Eritrea and Ethiopia, persist, most violent conflicts are internal. However, even internal conflicts usually have international dimensions. This is true, for example, of the Darfur conflict and the various conflict situations in the Great Lakes area.

Peace and security policy in Africa has changed significantly in recent years. The most important and most visible step was taken in 2002 with the establishment of the African Union (AU), replacing the former Organization for African Unity (OAU). The AU has attached considerable importance to peace and security. In the past African mechanisms played a very limited role in measures aimed at managing and resolving conflicts. At continental level the OAU pursued a policy of “non-interference,” which resulted primarily in inactivity in this sphere. At the level of individual African subregions only ECOWAS (Economic Community of West African States) was in evidence with missions in various West African conflict situations. These activities are essentially based on Nigeria’s military capacities and policy, which are also interpreted in some quarters as regional hegemonial efforts. After the failed missions in Rwanda and Somalia in the mid-1990s, the member countries of the United Nations introduced a temporary period of restraint in the dispatch of UN peace missions to Africa.

The AU is the roof of the new peace and security architecture. This roof is to be carried by five regional institutions. At continental level the AU began to develop comprehensive infrastructure in 2002. It includes, among other things, a Peace and Security Council and, within the AU Commission, an administration (Directorate for Peace and Security) that is well equipped by comparison with other AU tasks.

At regional level conditions have hitherto varied widely: a relatively well functioning mechanism in West Africa, rudimentary structures in the Central African area, for example. In some cases, disputes over competence persist: which regional mechanism is responsible for the tasks to be performed? In terms of military capabilities, the main feature

is the development of an African Standby Force (ASF) consisting of five regional intervention forces. Its 15,000 soldiers are to be ready for action by 2010.

Since its inception the AU has already dispatched a number of peace missions. The first had the task of supporting the stabilization process in Burundi. It was subsequently taken over by the United Nations (UN). The most important mission so far, comprising 7,000 soldiers (autumn 2006), was sent by the AU to the Darfur region of Sudan (African Mission in the Sudan – AMIS). While the African Union showed, by taking this decision, that it was capable of action in an extremely difficult conflict situation, it quickly became clear that the mission was not having the intended effect of protecting the people. The take-over of the mission, which was in principle requested by the AU and accepted by the UN, was foiled by the Sudanese government, which has so far been able to prevent the plan from being implemented.

The G8 and EU are playing a major role in connection with the development of the African peace and security architecture. In the Africa Action Plan it adopted at its Kananaskis summit, the G8 has given itself a concept which makes support for the African peace and security architecture a focal issue. In the plan the G8 declares its willingness to contribute extensively to the development of military and civilian capacities for the effective prevention and resolution of violent conflicts. To this end, efficient structures are to be installed at regional and subregional level by 2010. The plan is remarkable not least because, in this way, the cooperation in the security sphere that used to take place primarily between the USA and the former colonial powers Britain and France on the one hand and African countries on the other is placed on a broader basis on the donor side. For Germany, a relative “newcomer,” the plan provides a basis on which it can and should take action not only in civilian but equally in military areas of cooperation.

For the European Union the African peace and security architecture has likewise become an important issue. The European Security Strategy (ESS) adopted in 2003 describes the close interrelationship between economic shortcomings and political problems and violent conflicts in Africa. “Africa” is a subject in which not only EU Development Commissioner Louis Michel but also High Representative Javier Solana take a close interest. The EU’s first out-of-area operation took place in the African continent in 2003 (Operation Artemis in support of the UN mission in the Democratic Republic of Congo) and is therefore of particular importance for the EU’s Common Foreign and Security Policy (CFSP).

In May 2004 the EU, equipped with resources from the European Development Fund (EDF), set up the African Peace Facility (APF), one of the most important financial pillars for AU peace missions. What is most remarkable about this is that resources set aside for development purposes are being used on a large scale for military operations (from 2004 to 2006 pledges totalling about EUR 600 million – earmarked for specific purposes), which has led to heated debates among the EU Member States. In the first phase of the APF (until 2006) the resources were used primarily for the AU mission in Darfur.

The EU-Africa Strategy of December 2005 (see Grimm, Chapter V), which the Council designed as an overarching concept and is thus way ahead of the strategies pursued by a number of Member States (including Germany), has peace and security as its first focal area. Less than a year after the EU-Africa Strategy was adopted, it is apparent that the EU is actually making great efforts in this sphere. Besides the APF, the EU is helping to fi-

nance other measures in the area of peace and security, such as the development of an AU anti-terror centre. In June 2006 the EU also put forward a specific concept for strengthening African capacities for the prevention, management and resolution of conflicts and, in October, a further strategy for the Horn of Africa (“EU partnership for peace, security and development in the Horn of Africa”).

In connection with the EU it should be pointed out that NATO (North Atlantic Treaty Organisation) has similarly begun – in some respects, in competition with the EU – to include Africa as a region in its activities. This is currently taking the form, for example, of support for the AU mission in Darfur.

2 Challenges for African partners and the donor community

The efforts hitherto made by the African partners to develop an African peace and security architecture must be acknowledged as being positive and perceptible. Although the AU mission in Sudan was unable to provide sufficient protection, the mere fact that a political decision was taken to send that mission constitutes political progress. However, fundamental structural weaknesses persist, making the African peace and security architecture look fragile. They include:

- The development of efficient civil and military structures will take time. It is unrealistic to expect all five African regions to be capable of making their planned contributions to the development of the African Standby Force by 2010.
- African structures are heavily dependent on external support. This is as true of the development of basic capacities as it is of the dispatch of each and every mission; even individual missions are logistically practicable for the African partners to only a very limited degree.
- Political conditions also continue to be one of the main weaknesses. At the AU summit meeting in Khartoum the possibility of Sudan taking over the AU Presidency was by no means ruled out. Even Sudan’s seat on the AU’s Peace and Security Council is politically more than questionable, since members of that body must in theory meet certain minimum requirements relating to the rule of law and the protection of human rights.

The donor community bears considerable responsibility for the African peace and security architecture. The AU’s ability to take action in, say, Somalia ultimately depends in part on the donors’ willingness to support it in this context. The donors attach major importance primarily to military capabilities. The simultaneous development of other capabilities of the African Union, for example, is lagging well behind. As a result, donors are contributing to the AU’s assumption of a strong security profile, which may mean excessive bias in the longer term.

3 Conclusions for the German G8 and EU Council Presidencies

The African peace and security architecture ranks high on the agenda of general debates on Africa and also on the international security agenda. In view of the violent conflicts that occur there, it is extremely important for Africa. It is, however, also of immediate

relevance to the G8 and EU. The less capable African mechanisms are of taking effective measures to prevent crises and to resolve violent conflicts, the greater the pressure on the international community to take action. This is evident, for example, from the perceived need for the AU mission in Darfur to be taken over by the UN.

Against this background, the options open to the G8 as a result of the Africa Action Plan and the various approaches in the EU framework should undergo an interim appraisal and further development (with an eye, for example, to the EU-Africa summit under the Portuguese Presidency). Certain objectives (in the G8 Africa Action Plan, for instance) may be overambitious (e.g. efficient African structures by 2010).

Both the G8 and the EU should also prepare answers to the question as to the form in which African peace missions can be financed in the long term. Even though African contributions should certainly increase, it is unrealistic to expect the African partners to provide the bulk of the funds in the near future. The use of European Development Fund resources for peace missions neither corresponds to their intended purpose, nor will it help long-term development prospects, which are vital to peace and security.

Furthermore, the G8 and EU should consciously do more to promote the mandates of the African Union and the subregional institutions outside the security sphere in the narrower sense (e.g. post-conflict capabilities). It is likely to be difficult to make sustained progress towards African integration unless a common security policy has adequate foundations in other political, economic and social fields.

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IV Challenges in the environmental and natural resource sphere: Africa's particular vulnerability?

Challenges posed by transboundary water management in Africa

Susanne Neubert / Waltina Scheumann

1 Background: transboundary water management in Africa

The importance of transboundary cooperation on water

Water is a vital resource. A country's drinking water supply, food production, energy supply and industrial development depend on its availability. Water is also essential for healthy living conditions and ecosystems. Even now many African countries can be described as "water stress economies" since, to meet their needs, they are dependent on reserves generated outside their territory. Dependence on external water supply is therefore seen today as an important indicator of the susceptibility of countries to crises (see Scheumann / Neubert 2006).

The availability of water is also very closely linked to almost all the poverty indicators. Not only access to clean drinking water, which the Millennium Declaration takes into account under the international development goal "*Ensure environmental sustainability*" (MDG 7), should be mentioned in this context: the fight against hunger, extreme poverty and water-related diseases, gender fairness and primary education are also influenced by water supply and quality.¹ A recent publication that gives an overview of these links is the United Nations' *Human Development Report* (UNDP 2006).

Compared to the rest of the world, the poor countries of sub-Saharan Africa are at a particularly serious disadvantage in terms of the availability of water, its supply and disposal and basic sanitation services. In many cases, governance problems also hinder good water management. In view of the difficulties many African countries are having in achieving the MDGs, "good water management" therefore poses a huge challenge for Africa, for which external support will be needed.

One of the basic requirements for achieving good water management is the peaceful joint use of transboundary rivers and lakes, which are particularly numerous in Africa. In the past, rising consumption of water resources and asymmetrical relations between upstream and downstream countries nurtured the assumption that considerable potential for conflict lay in the joint use of transboundary rivers. In relation to African countries, too, it was therefore expected that any shortage of water would almost inevitably culminate in violent disputes. Actual development, however, has so far failed to confirm these predictions. On the contrary, it has shown that transboundary water reserves catalyse transboundary cooperation far more frequently than conflict.

In many African regions and especially sub-Saharan Africa recent years have seen the beginning of a positive trend in joint water management. In other words, new forms of cooperation have been launched and/or existing ones have been reaffirmed in declarations

1 If women and girls no longer had to walk long distances each day to fetch drinking water, but simply had to turn on a tap, for example, they would save an enormous amount of time that they could use more productively in, say, farming or attending school.

and bi- and multilateral agreements (see Scheumann / Neubert 2006). Supporting this trend and so helping to ensure that positive approaches are sustainable and serve as models for new cooperative ventures is a highly topical task, which has a good chance of succeeding and to which the international community should apply itself.

Cooperation on rivers and lakes in Africa

Many transboundary rivers and lakes are breeding-grounds for crises, but cooperation on most such bodies of water – especially in southern Africa – has made good progress. Success in this respect is due to the change in the overall political situation, in which South Africa and others are pursuing an integrative course, and to the fact that the SADC (Southern African Development Community) is, as a regional economic community, an overarching political framework. Another factor in this context is the incremental and pragmatic approach adopted in the development of transboundary water organizations, which consists in combining confidence-building measures with successful procedures and in establishing transboundary cooperative bodies and fora. Positive developments are discernible in both many long-established river basin organizations, such as the Organisation pour la mise en valeur du fleuve Sénégal (OMVS – Senegal River Development Organization), the Niger Basin Authority (NBA) and the Lake Chad Basin Commission (LCBC) and in such new initiatives as that on Lake Victoria. In addition, the African Ministers' Council on Water (AMCOW) has been set up for continent-wide cooperation. It has put transboundary water management on its agenda and is also receiving external support in this respect.

However, cooperation on transboundary rivers and lakes cannot be taken for granted, and this for several reasons: in many cases it is not possible for all claims by all riparian states to be satisfied, especially when it comes to the sharing of absolute water quantities (for e.g. irrigation purposes); but agreement also has to be reached on locations, environmental protection and social measures and cost-sharing when dams and hydroelectric power stations are constructed and pipelines are laid. In southern Africa in particular there are also international disputes over use, in which wetlands are threatened by consumptive water uses (e.g. the Okavango and Maputo deltas). In addition, political and administrative factors hamper cooperation on water. Government crises, armed conflicts, underdeveloped government institutions and administrations, unequally developed economies and other factors are obstacles that must be taken seriously (Wieczorek-Zeul 2001).

The role of external support and development cooperation

The international donor community has hitherto played an important role in the establishment of almost all river and lake basin organizations in Africa. It began by providing financial and technical assistance both with the surveying of the initial situation, the exchange of information, the development of options for action, support for local non-governmental organizations and stakeholder groups and with the financing of infrastructure projects. Apart from international donor organizations, such regional actors as the SADC Water Division, the Water Division of the Economic Community of West African States (ECOWAS), AMCOW and the African Union (AU) play a major role through NEPAD (New Partnership for Africa's Development). To enable them to continue performing these tasks, they, too, have received financial and technical assistance from donor countries.

Germany is involved in transboundary water management in Africa at many levels: at international level through the G8 and the European Union Water Initiative, at continental level through the support it gives to AMCOW and NEPAD, and at regional level through the SADC Water Unit and several other initiatives. Indirectly, Germany also helps to create better conditions for cooperative measures at bilateral level through development co-operation in the water, agricultural and energy sectors (see BMZ 2006).

2 Ongoing debates and current challenges

Unlike local water disputes, which can be resolved by higher government authority, national institutional structures and procedures, by bottom-up organizations or informally, transboundary differences of interest and disputes are characterized by the fact that they can be settled peacefully *only* in negotiations between sovereign states. It is important in this context to take account of a number of factors on which success depends, only a few of which can be discussed here (see Scheumann / Neubert 2006).

Optimization of the concept of benefit-sharing

Benefit-sharing concepts are based on the idea that, where water is subject to joint use, it is not the water that is shared but the monetary benefit derived from its use upstream or downstream by infrastructure projects, for example. The application of this concept may be a decisive factor in encouraging water cooperation measures despite divergent interests and the typical upstream-downstream problems. Today most projects with benefit-sharing features still concern the construction of dams to produce energy. This is primarily because it is easy to calculate the economic advantages of such projects. So far, however, there have been few benefit-sharing agreements that pursue goals in the field of environmental protection. It is therefore a major challenge to ensure that the benefits of such projects to neighbouring riparians are comparable. The aim here is significantly to increase the incentives to plan and implement projects of this kind and also to reward the initiators appropriately by sharing the costs among all the riparians that benefit.

In a research project conducted by the German Development Institute (DIE) Klaphake (in: Scheumann / Neubert 2006) identified factors leading to benefit-sharing agreements. He showed that such agreements were more likely in situations of growing water scarcity since the economic cost of not cooperating then rises. Difficulties in the implementation of win-win projects occur, on the other hand, when there are uncertainties about the impacts projects will have, and administrative and economic capacities are poorly developed.

As benefit-sharing is most likely to be achieved where additional water resources are withdrawn, it is important to ensure that recognized standards of project management and organization, as formulated in the guidelines of the World Commission on Dams, are applied. As the success of international win-win projects depends on competent and effective project organization, financing and monitoring, it is also important for national administrations to be helped with capacity-building.

Improving the exchange of information

The exchange of information is the basis of any transboundary cooperation, and cooperation is frequently delayed or fails because this important basis is lacking. The decisive factor in this context is not that as many data as possible are generated: success is more likely to be achieved if information can be presented on possible courses of action that show the riparians the various advantages and disadvantages of different strategies. It is vital in the first place that all parties should accept the information base. This can be encouraged through the joint procurement of information at certain sensitive points (Grossmann in: Scheumann / Neubert 2006).

To promote the exchange of information, the first version of a *Sourcebook of Cooperation on Africa's Transboundary Water Resources* has been compiled jointly by the BMZ (German Ministry for Economic Cooperation and Development), the GTZ (German Agency for Technical Cooperation) and the DIE (2006) and handed over to AMCOW. The *Sourcebook* raises topical issues and recent developments in the African continent for discussion and reports on the work of established river and lake basin organizations. It contains *Fact Sheets* in which information on river and lake basin organizations is presented in standardized categories, along with background information, *thematic sheets* and a survey of best practices.

Promoting the fair distribution of water resources

Developments in southern Africa show how access to transboundary water resources depends on political and economic power. The distribution of power among riparian states and their unequal economic, institutional or administrative capacities have a major influence on their ability to work together or, on the other hand, to assert their own interests, possibly against the interests of other partners. Poorer riparians that have not yet fully developed their water uses are often at a particular disadvantage in this respect. As external partners are less caught up in the riparians' web of interests, they may be suited to observing and encouraging compliance with certain principles of fairness. This aspect can also be taken into account indirectly, however, through closer bilateral development cooperation especially with countries which at present carry little weight in transboundary cooperation.

Taking greater account of groundwater resources

Compared to cooperation on surface water, cooperation on transboundary groundwater reserves in Africa is poorly developed. The only examples of cooperation are in North Africa – the Nubian Sandstone Aquifer System and the North West Sahara Aquifer System – even though there are about 40 transboundary groundwater aquifers. Although African countries are making growing demands on groundwater resources, very few cooperative ventures involving groundwater riparians have so far been institutionalized. For the future it is therefore important to promote such cooperation. The first step should be to define the features which characterize cooperation on groundwater aquifers and to determine what experience has been gained.

3 Conclusions for the German G8 and EU Council Presidencies

The following conclusions can be drawn from past experience of transboundary cooperation on surface water in Africa:

- (i) *Transboundary cooperation as a requirement for achieving the MDGs:* In support for the African countries in their efforts to achieve the MDGs, not only will country-related contributions in the areas of water supply, waste water disposal, basic sanitation services and integrated water resource management (IWRM) be important: cooperation on transboundary water should also continue to be supported so as to ensure the peaceful and sustainable joint use of water resources as a requirement for the achievement of the MDGs.
- (ii) *Increasing the effectiveness of cooperation through benefit-sharing agreements:* The effectiveness of transboundary cooperation can be increased if incentives that encourage cooperation among riparians are identified and used purposefully. Far greater account than hitherto should be taken of environmental and quality aspects. To come closer to achieving this objective, the cooperating partners must agree on the value added by clean inflows. External partners can provide impetus and help in this context.
- (iii) *Greater involvement of stakeholders and the public:* There are a number of positive examples of the involvement of interest groups, stakeholders, associations and non-governmental organizations in African river basin organizations, and lessons can be learnt from their experience. Participation should be actively promoted, since it presupposes the supraregional cooperation of groups and associations. In the development of participation strategies, including their organizational, legal and financial aspects, development cooperation can play an active role.
- (iv) *Devising disaster plans and preventive measures:* Transboundary cooperation increasingly has to face up to disasters caused by flooding and sometimes by drought due to climate change (see Scholz / Bauer, Chapter IV). It is important for external partners to help with the development of preventive measures and disaster plans.
- (v) *Promoting information exchange and management:* Information exchange and management is a political issue which can easily bring about the failure of transboundary cooperation. One way of overcoming this difficulty is to promote the joint procurement of particularly important or sensitive data.
- (vi) *Focusing external financial support better:* External financial support for river and lake basin organizations seems justified as pump-priming funding and for coping with specific tasks, especially in the case of weaker countries. It should be ensured, however, that the member countries themselves defray recurrent costs once a certain degree of institutionalization has been reached, since long-term external financing of cooperation is unsustainable. In principle, administration and personnel costs can also be financed through the collection of fees where organizations are both owners and operators of hydroelectric power stations. This principle could be applied more frequently and to other projects than is currently the case.

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Climate change and desertification

Imme Scholz / Steffen Bauer

1 Climate change and poverty

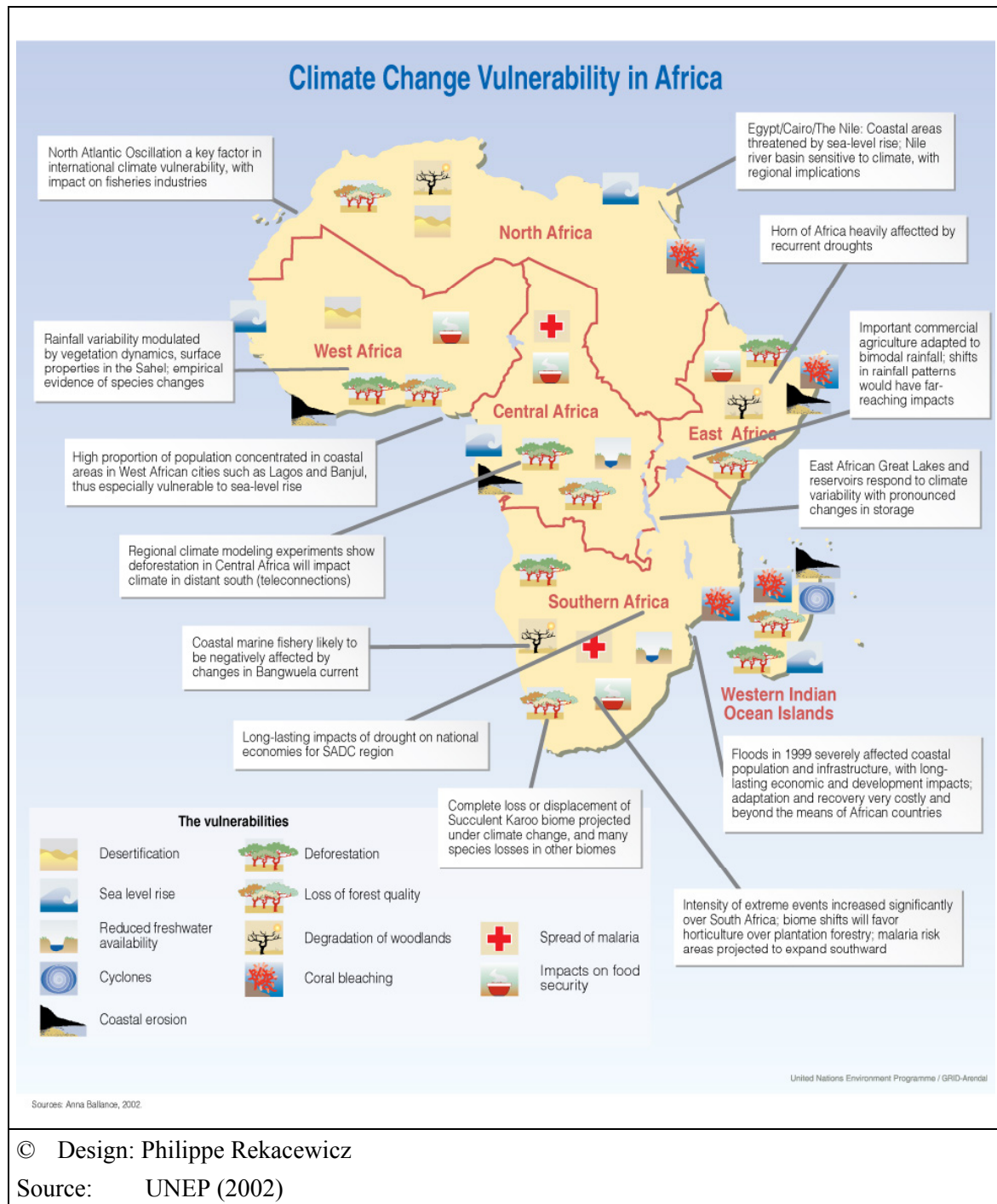
Climate change is likely to deeply affect the further development of sub-Saharan Africa and thus all external efforts to promote or at least stabilize it. It is quite easy to understand that global warming is greatly accelerating the unmistakable melting of the glaciers on Mounts Kilimanjaro and Kenya. But it appears, however, that even well-informed experts on Africa in politics and the media are only slowly beginning to grasp that this and other consequences of global warming will have far worse impacts on life than the mere loss of aesthetically pleasing picture postcard motifs.

Most developing countries are located in the hot and often dry regions of the Earth, where global climate change will raise average temperatures even higher. This will accelerate the water cycle, which will in turn lead to changing precipitation patterns. The variability of precipitation will increase, and extreme weather events (e.g. floods, droughts and storms) will become more frequent. The vulnerability of people in general and agricultural production risks in particular will grow sharply as a result. Hardest hit will be rain-fed farming, the dominant form of agriculture in Africa.

As the economies and exports of the poorest developing countries are heavily dependent on agriculture, climate change is likely to severely reduce their prospects of achieving economic growth and reducing poverty. Thus global warming is also a potential driving force of migration which in turn may increase the pressure that already affects developing countries with weak governance structures.

The consequences that climate change will in all probability have will thus be particularly relevant to the African continent. They will affect not only the political and socio-economic development of Africa and its societies but also the virulent nexus of development and security that already exists in many African countries (see Grimm and Klingebiel, Chapter III). According to the increasingly robust and precise predictions emerging from the climate sciences, there are many indications that the climatic trends concerned have already begun and that the expected consequences will be serious even if it proves possible to stabilize average warming in the coming decades at between one and two degrees Celsius.

On the whole, then, there is serious cause for concern that the modest successes which still seem possible in Africa today as regards the Millennium Development Goals (MDGs) will be undermined tomorrow by the effects of climate change. We will illustrate by showing how the combat against malaria and desertification will be made more difficult by the impacts of climate change.



Malaria

The fight against malaria (MDG 6) is important for improving health conditions and labour productivity, especially in sub-Saharan Africa. However, owing to climate change, it must be expected that the areas affected by malaria will become larger and that outbreaks of the disease will tend to be more serious and to cause more fatalities. For Africa as a whole climate change is expected to increase the malaria-exposed population by about 18 %, the main additions being regions currently on the edges of the temperature zone within which the malarial parasite is able to develop and to be spread by the anopheles

mosquito. In Africa this might have a particular impact on various highland regions which have hitherto been protected against malaria by lower average temperatures. Initial studies already indicate an increase in what is known as highland malaria.¹

Desertification

Closely, though not entirely causally, linked to climate change is the phenomenon of desertification, by which Africa has again been hit harder than any other region of the world. Three quarters of its arid areas are already degraded, very largely by excessive anthropogenic use. The loss of vegetation that accompanies desertification then increases global warming: on the one hand, because the carbon bound in vegetation and soil escapes into the atmosphere and, on the other hand, because a substantial portion of the heat is reflected by the now bare soil. Desertification and climate change are thus mutually reinforcing.

The Special Report of the Intergovernmental Panel on Climate Change (IPCC) on the regional effects of climate change summarizes the consequences for Africa essentially as follows (IPCC 2001):²

- Population growth already exerts a high pressure on Africa's ecosystems; this is exacerbated by the absence of economic structural change (e.g. industrialisation) which forces people to increase the agricultural area to the detriment of natural forests and natural grasslands. Climate change will further increase pressure on natural ecosystems: At a rise in average temperatures of more than one degree Celsius, forests will gradually give way to savannas and savannas to deserts. Living conditions for man and women, animals and plants will become correspondingly more difficult.
- Africa has the highest number of countries affected by acute water scarcity. Even without the feared effects of climate change, it must be assumed that water scarcity will increase as demand rises with growing population pressure, water catchment areas are degraded, primarily by agriculture, and river basins silt up. This trend will be further exacerbated by changed precipitation patterns due to climate change and may ultimately result in the collapse of various sectors of the economy that depend on water. Nor will irrigation, which can today help to consolidate water supplies, then be possible without restriction. Furthermore, falling water levels and growing water pollution will make it difficult to solve the socio-economic and governance problems that exist in many parts of the continent regarding the general availability and sustained use of freshwater resources.
- In most sub-Saharan African countries the agricultural sector accounts for 20 to 40 % of gross domestic product (GDP) and for over 50 % of exports. About 70 % of the population depend on rain-fed subsistence agriculture; they will therefore be particularly hard hit by the consequences of climate change. Increasingly frequent drought and flooding will reduce food security as a whole and cause high economic costs through the loss of export earnings. One of the few opportunities possibly emerging

1 For further details see Sauerborn (2006).

2 The new IPCC report expected in February 2007 will probably confirm these predictions and add further details.

from climate change for subtropical Africa may be the growing of fruit and vegetables in the highlands.

- Not the least important factor is that the rise in sea levels expected even in the case of moderate global warming will have catastrophic consequences for many ports, especially in West and Central Africa. Senegal, the Gambia, Sierra Leone, Nigeria, Cameroon, Gabon and Angola, for example, have low coastlines featuring lagoons, which will be flooded and consequently erode and become too saline. A large part of the Nile Delta and, with it, a great deal of arable land and urban residential areas are also in danger of being lost when the sea levels rise. The frequency and intensity of violent storms in coastal regions are also likely to increase.

There are four likely economic and social consequences of climate change, stemming from a pronounced susceptibility to global warming and from poor adaptability in sub-Saharan Africa: (i) a decline in the willingness of economic actors to invest in Africa; (ii) an increase in urbanization but without a corresponding growth in social infrastructure and job opportunities (“urbanization of poverty”); (iii) an increase in competition for the use of scarce natural resources (e.g. land and water), resulting in growing internal migration and in violent internal and possibly international conflicts; and (iv) an increase in humanitarian emergencies due to greater susceptibility to conflict and disasters caused by extreme weather events (e.g. drought and flooding).

2 Current challenges for climate policy

When Tony Blair made Africa and climate change the dominant themes of the British G7/G8 Presidency, the correlations between the two complexes were not as clear as they can be formulated today: if the industrialized countries do not invest immediately in additional measures to reduce greenhouse gas emissions and to improve adaptability in Africa, the political and economic consequences of climate change in Africa will become uncontrollable. In the long term, in Africa the necessary conditions for development cooperation (oriented towards fostering structural change, in contrast to humanitarian assistance aiming at alleviating emergency situations) will hardly exist.

This concerns not only the need to act regarding climate change but above all measures to combat desertification. For Africa this has had a high priority since the adoption in 1994 of the United Nations Convention to Combat Desertification in Countries Experiencing Serious Drought and/or Desertification, *Particularly in Africa* (UNCCD). The rider “Particularly in Africa,” unusual for a convention of this kind, is itself a reference to the urgency with which the African governments view the issue. The convention process and implementation at national and local level have, however, come to a standstill in the last few years. This is due not only to the known capacity and governance shortcomings in the countries concerned but also to the fact that the donor countries do not give the Convention a high priority. The definition of desertification given in Article 1 of the Convention, and thus enshrined in international law, emphasizes the connection with climate change and so implicitly the industrialized countries’ shared responsibility for desertification.

In the meantime, however, climate policy itself has found its way on to the agendas of the African governments. This was encouraged in particular by the preparations for the 12th

Conference of the Parties of the Framework Convention on Climate Change held in Nairobi in November 2006.

Given the close correlation between climate change, desertification and the threat to biodiversity, integrated approaches to the implementation of the three international conventions that concern these problems are urgently needed. As many of the measures in these fields are of direct relevance to poverty, they can also be regarded as “no-regret measures” from the poverty reduction angle. Regardless of this, however, separate measures to combat urban poverty and to promote sustainable economic growth and efficient governance structures are needed in order to reduce the direct dependence on natural ecosystems of African economies and societies.

From a climate change perspective, the most important challenges at national and local level in Africa include: (i) strengthening meteorological services and climate research in Africa so that robust climate models may be developed and the ability to forecast improved; (ii) continuing the training of the relevant government departments so that they are better able to record the consequences of climate change and its correlations with desertification and the protection of biodiversity and to launch appropriate programmes and measures; (iii) strengthening agricultural research and gearing it to the development of sustainable production systems adapted to more recurrent drought and flooding; (iv) identifying economic alternatives to agriculture in countries where natural conditions are being substantially altered by climate change and desertification; (v) developing disaster risk management systems with a clear focus on strengthening precautionary and reactive capacities at local level; (vi) developing scenarios for the consequences of the rise in sea levels and appropriate resettlement strategies.³

At global level, the climate impacts of a constructive resumption of the Doha Round have to be taken into account if the medium- and long-term trends in climate change, desertification and the accompanying changes in the water balance in Africa are to be influenced. In the context of the liberalization of agricultural trade that is being sought, however, national governments must take very careful account of the associated risks of accelerated land degradation and desertification, so that they may be prevented from the outset. One risk is that the rural poor, who typically depend on small-scale subsistence farming, will derive little benefit from the export earnings which it is hoped the liberalization of agricultural trade will bring. The expansion of arable land and of capital- and technology-intensive farming by large, multinational agricultural enterprises may indeed even exacerbate poverty and environmental degradation in arid rural areas (see Dionne / Mayrand / Paquin 2005).

The development of a global migration regime is also important. Climate change and desertification will greatly increase the pressure of migration on African societies. However, the danger lies less in the frequently invoked “African invasion” of Europe than in a further destabilization of African countries located in the regions particularly affected by climate change and which are already today suffering under the consequences of increased intra-regional migration.

3 See the UNFCCC’s African regional report on adaptation, Accra, Ghana, 21–23 September 2006.

3 Conclusions for the German G7/G8 and EU Council Presidencies

Effective measures to mitigate climate change are essential if the industrialized countries are to remain credible in Africa. Even though the decisions taken under climate policies today will not prevent the global warming predicted for the next two to three decades, they may be able to reduce and so effectively decelerate it. This will ease the direct pressure on the weak economies and fragile political systems of Africa to adjust and make urgently needed time for the unavoidable structural change in North and South.

The report by the World Bank's former chief economist Nicholas Stern on the economic cost of climate change is unambiguous and unequivocal: by 2050 the continuation of current policy (business-as-usual scenario) will result in costs that will reduce average per capita consumption by 20 % compared to its present level. In contrast, effective measures to contain climate change would cost 1 % of present global gross domestic product (Stern 2006).

For the G7/G8 and EU Presidencies this means in practical terms that in any discussion of Africa and climate change, two focal issues which are usually considered separately, the correlations described in this chapter should always be borne in mind. In particular, it should be remembered that the consequences of climate change may in the medium and long term thwart the Millennium Development Goals, which are to be achieved by 2015. In relation to Africa, but not only Africa, this will affect above all else the goals of combating poverty (MDG 1), combating malaria (MDG 6) and ensuring environmental sustainability (MDG 7). In discussions on an increase in Official Development Assistance (ODA) or on further debt relief great care should therefore be taken to ensure that appropriate consideration is given not only to the MDG agenda but especially to the policy areas arising from the need to adapt to climate change. The additional risks that climate change and desertification pose for poverty reduction and security and stability issues in the region should therefore be referred to clearly in the various policy processes and in terms of their importance to all government departments. Future commitments by the donor countries in relation to poverty reduction will in any case be obsolete unless the commitments entered into in the context of international climate policy to reduce greenhouse gas emissions are also honoured and expanded significantly.

As Africa will be seriously affected by the consequences of climate change and as sub-Saharan Africa accounts for only 2.3 % of global CO₂ emissions (see <http://cait.wri.org>; at 27 November 2006), demands by African countries for compensation from the industrialized world are more than justified. The funds made available by the donor countries for adaptation measures must be increased significantly, and the transfer of suitable technologies must be simplified and promoted. At the same time, those in government in Africa must ensure that any resources and technologies provided are used effectively for climate policy purposes. In the medium and long term the same maxim as that proclaimed by the Stern report as regards the mitigation of climate change will at least apply to a global adaptation policy: the cost of immediate appropriate action will be many times lower than the cost of doing nothing. African societies would be the first, but not the only ones, to feel the consequences of inaction.

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V Challenges for cooperation and
partnership with Africa: towards
broadly based cooperation?

Increasing the funds for development cooperation: part of the solution or part of the problem?

Stephan Klingebiel

1 More funds for Africa: political background and level of dependence

In 2005 both the G8 and the EU committed themselves to substantial increases in resources for Official Development Assistance (ODA) to the benefit of the sub-Saharan African countries in particular. If these commitments are honoured, the scale of ODA resources will rise significantly in 2010 and again 2015. The commitments entered into by the members of the OECD's Development Assistance Committee (DAC) would have annual net disbursements of ODA rising by some US\$ 50 billion from US\$ 79.5 billion to US\$ 128.1 billion by 2010 alone. This would mean a 67 % rise in German ODA and an 89 % rise in the EU average (by 2010). Sub-Saharan Africa will be disproportionately favoured by the international commitments: it is to receive at least 50 % of the additional resources.

The ODA increases announced, which are due in no small measure to the efforts of the British government in the run-up to its G8 and EU Presidencies in 2005 (and particularly of the Commission for Africa) and to the Millennium Development Project headed by Jeffrey Sachs, which published the most important results in a report, have prompted a new international debate. A question that has given rise to some controversy in this context is whether massive ODA increases are, in principle, to be welcomed or whether they entail risks for development.

Of the total amount of ODA available in 2004 – US\$ 78.3 billion – sub-Saharan Africa received a 33 % share (US\$ 25.5 billion). Even today African countries' average dependence on ODA is well above that of other regions. This dependence is due, on the one hand, to ODA inflows in absolute terms and, on the other, to generally poor economic performance and low government receipts:

- ODA as a proportion of gross national income (GNI) averages 1.2 % for all developing countries (2003). At 6.1 %, sub-Saharan Africa is well above this figure. The figures for individual countries is many times higher, well above 30 % in some cases (e.g. Burundi: 39.1 %). At significantly more than 50 % in some instances, the ODA share of public budgets is comparatively high in sub-Saharan Africa.
- Arithmetic per capita ODA for all developing regions is US\$ 15.7 (2004); in sub-Saharan Africa it is, at US\$ 36.2 %, more than twice as high.
- For sub-Saharan Africa ODA is the most important external source of financing. Financial inflows into the region are composed of 55 % ODA, 25 % foreign direct investment (concentrated on very few countries and sectors), about 15 % remittances by migrant workers to the region and 5 % other private inflows (2003).
- For certain sub-Saharan African countries (e.g. Botswana and South Africa) ODA dependence is low.

2 Risks inherent in a rise in the ODA level

Recent research on the benefits of ODA and the effects of a possible increase actually concludes that benefits do not increase in line with every additional euro spent. Some studies assume that there is a certain ODA level above which the benefits lessen (declining marginal utility) or the effects may even be negative.

The possible effects are associated, on the one hand, with limited effectiveness on the donor side. Effectiveness can be impaired, for example, where assistance becomes overexpensive because of procurement-tying, ODA is used for purposes other than development, or the approach adopted is supply-oriented and takes the form of small-scale projects. Potential effects, on the other hand, depend on the partner's ability to use ODA resources wisely.

The partner country's absorptive capacity is determined by a wide variety of factors. Generally speaking, the options open to countries with weak institutions are limited in, say, technological and administrative terms. There is a limit to the amount that governments and administrations are able to spend wisely. Other factors that determine absorptive capacity are political conditions in the partner country. In countries where governance is poor the policy they pursue should perhaps not be backed by ODA, or it may, among other things, help to stabilize the regime. Certain situations – after wars have ended, for example (reconstruction of ruined infrastructure, etc.) – may also indicate the wisdom of more (or less) external assistance.

Risks that may accompany an ODA increase can be divided into two types: macroeconomic risks and governance risks.

(i) Macroeconomic risks

The most frequently discussed macroeconomic risk has to do with the danger of a “Dutch disease,” the paradox of economies that suddenly experience steep growth – primarily because of the discovery and exploitation of natural resources – possibly being confronted with major macroeconomic problems. These problems may consist in waning competitiveness due to a rising exchange rate and therefore declining ability to export. This effect largely depends on the extent to which additional imports or non-tradable goods (wages and salaries, etc.) can be financed with the available resources, leading to a rise in the exchange rate in real terms. Furthermore, the additional money supply may have inflationary effects, possibly causing major problems for the private sector, such as erratic interest rate movements, especially in countries with poorly functioning financial markets. Country studies (of Uganda, Ethiopia, Ghana and others) show that, while the adverse effects can be counteracted to some extent, ODA-dependent countries are particularly limited in their capacity to meet these challenges.

Where ODA transfers consist of loans – as opposed to non-repayable grants – debt sustainability is also affected (see Berensmann, Chapter II). This means that extensive loan-financed ODA may lead to a worse debt problem in the future.

Studies also show that ODA inflows are less reliable in their availability than other, domestic financial sources. These fluctuations (volatility) impair the partner's budget plan-

ning capacities, especially with respect to longer-term planning. In some countries at least they are largely caused by the political situation (bad governance) and by violent conflicts.

(ii) Governance risks

ODA dependence or increasing ODA inflows also have serious effects on the governance dimensions and the quality of institutions in partner countries. An important effect may consist in a substantial ODA resource inflow weakening national mobilization efforts. This is especially true of the development and practical use of tax-collecting instruments. Attracting for ODA is an alternative to collecting taxes and is easier to do than developing domestic financing systems.

High ODA inflows may also influence the relationship between the partner government and the people by undermining the partner's accountability. Where a substantial proportion of the investment effected in the country originates from donors and many services are financed or provided by them, the country's political structures are directly influenced. Important political negotiating and decision-making processes take place between donors and partner governments. Parliaments then play no more than a marginal role in decisions on public budgets. Reform programmes are negotiated and decided with the donor community rather than the representatives of the people, where they exist. All this may reduce the partner government's accountability to its own people.

In addition, the donors' conduct may tie up substantial capacities of governments and administrations for communications with the donors on project- or programme-related procedures (reporting obligations, missions, etc.). If ODA leads to the development of parallel structures, they may have an adverse effect on the partner country in the long term. This may happen, for example, where project-implementing units are installed alongside the public administration. They may then fail to promote the development of sustainable government capacities and further weaken existing administrative structures, many of which are already weak.

3 Conclusions for the German G8 and EU Council Presidencies

The partner's absorptive capacity is of the greatest relevance to the effectiveness of ODA. Many debates are overly focused on nothing other than the scale of ODA. The resources available are important (very important in many cases, no doubt). However, in development terms it is by no means enough for this to be the sole concern.

This being the case, the ODA debates during the German Presidencies should pay sufficient attention to the following points:

1. *Not generating pressure for automatic ODA outflows:* Risks may be associated with an increase in ODA resources for sub-Saharan Africa. These risks are not a fundamental argument against more ODA and against efforts by the donors to mobilize resources, but for care to be exercised in the use of additional resources. The political commitments given by the donor community to increase ODA should not result in pressure to place the emphasis on spending the resources as the most important objective. Where more money can be appropriately and comprehensibly absorbed, it should be provided (possibly in stages). Where this is not possible, no additional resources

should be provided and, where appropriate, the past use of resources should be reviewed.

2. *Instruments for achieving the ODA increase:* Most debates on ODA increases make no distinction between the instruments available. It must be assumed, however, that modes of operation differ according to whether future ODA increases are shared fairly equally among loans, debt relief, technical cooperation and humanitarian aid or whether perhaps the emphasis is placed on individual instruments (such as debt relief operations). The increases in resources for which individual donors are able to gain domestic approval may not coincide with the best instruments.
3. *Increasing incentives for good governance, minimizing incentives for bad governance:* Dysfunctional incentives – to the detriment of effective efforts by partner countries themselves to mobilize resources, for example – should be systematically integrated into development strategies; conversely, positive incentives which increase the accountability of the country's own people – should be incorporated. The fact that a number of African countries will continue to be dependent on ODA for the foreseeable future will also make it necessary to reflect on fundamental approaches (e.g. when can exit strategies be triggered? What are realistic cycles for the use of ODA? etc.).
4. *Planning and using ODA in the overall political context:* ODA can be an important element in the shaping of a development-oriented approach and create the conditions for this in partner countries. Other areas of policy similarly have mechanisms and potential that can be used, the Extractive Industries Transparency Initiative (EITI)¹ being a good example. Where other policies are concerned, it is appropriate in these circumstances to gather knowledge on the effects of the various activities (e.g. on the scale and intensity of engagement, modes of operation, conflicts of objectives, etc.).

1 The EITI is an international initiative aimed at achieving greater transparency of financial inflows into public budgets from revenues in the oil, gas and mining sectors with a view to reducing susceptibility to corruption.

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Chance of effective cooperation and partnership with sub-Saharan Africa: programme-based approaches

Stephan Klingebiel / Stefan Leiderer

1 Improved effectiveness of development cooperation as an important basis for cooperation

In view of the importance of development cooperation for many African countries, it is equally important for it to be used as effectively as possible. Simply transferring resources is no guarantee at all that the development objectives pursued can actually be achieved.

Surveys have shown in recent years that the effects of development cooperation are often limited and unsatisfactory (see UNDP 2005, 126 ff.; World Bank 1998). There are various reasons for this. The large number of donors and development cooperation measures, for example, may lead to uncoordinated and sometimes contradictory concepts (as in the context of sectoral strategies) and counterproductive development measures. Another problem may consist in isolated “islands of development cooperation” having little or nothing in them to act as a model and little charismatic force. Some may even weaken the partner’s own implementation capacities, since donors act outside the country’s normal administrative structures. Furthermore, partner countries often have to go to considerable expense (i.e. defray transaction costs) in coping with development cooperation structures (expense of donor delegations, obligations to report to individual donors, etc.).

Since the late 1990s there has therefore been an intensive debate on improved aid effectiveness. As a result of this debate, programme-based approaches (PBAs) have become a much discussed topic in development cooperation in the space of a few years. They differ substantially from earlier efforts to pool individual projects and to coordinate them more closely with partners.

The Paris Declaration on Aid Effectiveness drawn up by representatives of donors and partners in March 2005 is the most important document so far to set out the current agenda for the improvement of aid effectiveness. The Declaration contains, among other things, verifiable, quantitative goal indicators and summarizes development cooperation principles in five areas: (i) ownership by the partner countries, (ii) linking the partners’ and donors’ strategies and approaches, (iii) harmonizing the donors’ activities, (iv) results orientation and (v) joint responsibility of donors and partners for results. The Paris Declaration sees PBAs as an important step in the application of these principles.

How do PBAs differ from previous approaches in development cooperation? PBAs are based on the conviction that, where aid is concerned, the best way is to give as direct support as possible to appropriate policies pursued by partners. The emphasis is no longer on individual projects identified by each donor or on the partner’s own implementing structures, but on dialogue on suitable policies, followed by direct support for them, primarily in the form of financial contributions.

This approach presupposes that donors can have sufficient confidence in partners (good enough governance). Repressive regimes or systematic corruption, for example, run counter to this approach. Poverty Reduction Strategy Papers (PRSPs) form the most important

basis for a discussion on suitable objectives and approaches in the most important areas of policy. In suitable cases, general or sectoral budget financing in particular can be used as aid. In other words, the partner receives resources to enable it to implement a policy which the donor community, too, regards as suitable for overcoming poverty problems in the country.

2 Current challenges posed by programme-based approaches

PBAs geared to direct support for the partner government must proceed from certain requirements. In principle, two ideal types of groups of countries can be identified in sub-Saharan Africa, although in reality many countries are on a continuum between the two types and, moreover, political conditions in the countries are constantly changing:

- *Poor countries (low-income countries) with a generally responsible and good policy:* The debate on PBAs and, above all, the use of budget aid focus on low-income countries, i.e. the majority of the sub-Saharan African countries, with a good governance performance. In other words, an important principle of action is selectivity in the choice of countries that qualify particularly for budget aid by satisfying minimum requirements concerning government policy, government willingness to reform, etc. What is essential in this context is not that these countries should have achieved all the goals they were pursuing, but that they are able to demonstrate convincingly that they really are implementing the agreed policies (budget transparency, effective measures against corruption, etc.).
- *Fragile countries and countries with serious governance problems:* These countries form a group facing a wide variety of challenges, which may range from inadequate opportunities to establish a legitimate monopoly of power (countries in conflict, etc.) to the government's lack of legitimacy. Such countries do not have adequate structures for handling additional resources wisely or meet basic conditions for pursuing a credible policy.

Besides the provision of budget aid, however, there are other ways of making appropriate financial contributions. Even under difficult political conditions donors can make considerable progress in improving effectiveness by resorting to basket financing (pooling of resources) and similar approaches. Basket financing can, for example, remain entirely under the donors' control (as in the case of repressive regimes), but enable them to adopt a joint approach without giving rise to the high transaction costs that would occur if each donor were to install its own implementation structures.

Budget aid and basket financing are relatively new development cooperation instruments. However, approaches with some similarities have been adopted in the past. This is especially true of the efforts to achieve debt relief in the context of the HIPC Initiative, which gives the various countries far more budgetary room for manoeuvre, and of the structural adjustment loans of the 1980s and 1990s.

This earlier experience has meanwhile been joined by initial studies of budget aid. It should be remembered in this context that, as a rule, it is virtually impossible to ascribe the effects of these instruments to an individual donor. It should also be borne in mind that some of the effects sought (greater acceptance of ownership by the partner, effects on

poverty, etc.) are of a long-term nature, and experience of PBAs is limited because they have been in operation for only a few years.

The data currently available are primarily based on a comprehensive evaluation by the donor community of general budget aid (IDD 2006), which is in turn based on seven country case-studies and was carried out by the OECD's Development Assistance Committee (DAC). There is also an up-to-date World Bank publication on experience of budget aid (Koeberle / Stavreski / Walliser (eds) 2006) and a number of studies largely conducted by individual donors (such as Kreditanstalt für Wiederaufbau – KfW).

The findings of the various studies can be summarized as follows: in most cases, budget aid has had positive effects. The study by the donor community, for example, reaches the conclusion that the effects in five of the seven cases examined (Burkina Faso, Mozambique, Rwanda, Uganda and Vietnam) were “clearly positive,” while the findings in the other two cases (Malawi und Nicaragua) were less uniform. In other words, where the instruments concerned have hitherto been used, i.e. predominantly in low-income countries heavily dependent on development cooperation and having a relatively good governance performance, the findings are satisfactory in various respects.

The following aspects of past experience are particularly interesting:

- Budget aid increases the proportion of resources subject to national budgetary processes. This gives the respective parliaments a greater opportunity to become involved. Budget aid has a generally positive effect on a country's governance situation.
- Budget aid has resulted in the better alignment of development cooperation with national policies and national budgetary cycles. However, the donors' budget aid instruments are at present only partly harmonized.
- Budget aid has helped to make spending more transparent; accountability structures have been strengthened. However, parallel development cooperation structures continue to exist outside the public budget.
- The donors usually attach considerable importance to capacity development. What they have hitherto had to offer in this area, however, has not, as a rule, been adequately coordinated.
- Transaction costs in partner and donor countries have not yet been reduced by budget aid. They have instead tended to increase. The main reason for this must be seen in the continuing existence of development cooperation structures for individual measures while new structures and instruments are being installed. It should also be remembered that these costs are incurred largely by the donor (rather than the recipient) and are intended for the development of longer-term cooperation structures.
- To some extent, budget aid encourages the expansion of public services, without taking sufficient account of their quality.

On the whole, the studies show that budget aid is not a suitable instrument in all situations or countries, but that it may play an appropriate and important role in various situations. However, expectations of this instrument should not be pitched too high.

3 Conclusions for the German G8 and EU Council Presidencies

As development cooperation is relevant to most sub-Saharan African countries, the debate on its effectiveness is extremely important. Germany should therefore seize any opportunity to advance this debate.

It would be appropriate to focus on the following points:

- The scale of development cooperation is undoubtedly important for sub-Saharan Africa. The agreements reached on goals at the G8 summit and in the EU's plan to gradually increase development cooperation contributions are therefore important stages. Germany should, however, endeavour to steer the debate towards the question of effectiveness. Merely increasing the scale of development cooperation will in no way ensure that the challenges in sub-Saharan Africa can be met. In certain cases, "more aid" may even be counterproductive.
- Consistent implementation of the Paris Agenda by donors and partners is important. Its significance should be underlined.
- PBAs are of the utmost importance for the application of the Paris principles. Germany should do more to determine the course of the international debate on this aspect. German policy could play a more visible role in the debate on the form that the future aid architecture should take, i.e. on the further need to adapt instruments, the expansion of joint local structures, etc.
- Germany could draw up proposals on the manner in which PBA principles can be applied in difficult circumstances. Basket financing and similar approaches have not so far played an adequate role in the international debate.
- Finally, Germany can make suitable structures in the area of public finances in partner countries one of the main topics of debate. Hitherto too little attention has been paid to the revenue side in the policy dialogue between donors and partner countries, for example. Approaches that focus on both the effectiveness and transparency of the mobilization of revenue should therefore be strengthened.

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The EU-Africa Strategy – where we stand

Sven Grimm

In December 2005 the European Union (EU) adopted a common strategy for Africa, which was signed by the Council of Ministers, the Commission, the European Parliament and all 25 EU Member States. This was the first time a single document on Africa had been approved for the whole EU, i.e. both for Community programmes and for the Member States' bilateral Africa policies. Thus one document sets out the general policy lines of relations with North Africa (part of the European neighbourhood policy), the sub-Saharan African countries (signatories of the Cotonou Agreement) and the Republic of South Africa, which has signed a separate trade and cooperation agreement with the EU. The European Union's strategy thus takes account of the growing political dynamism within the African Union and refers to common values and shared principles for cooperation between Europe and Africa. Eventually, the EU's hitherto one-sided strategy towards Africa – which entails no more than consultation of the African Union – is to be expanded into a joint Europe-Africa strategy for cooperation between the two continents.

1 Contents of the EU-Africa Strategy

The EU-Africa Strategy singles out for particular emphasis two points over and above the Commission communication: the need for good governance in Africa and the importance of peace and security in the continent. Africa's own responsibility for its development is thus stressed once again. The strategy emphasizes cooperation with the African Union in security matters: mention is made, for example, of the deployment of EU missions to support African peace efforts (as has happened twice in Congo – in the province of Ituri in 2003 and during the elections in 2006) and of the reforms in the security sector as an important post-conflict task for cooperation. As regards governance, the strategy refers explicitly to assistance for the New Partnership for Africa's Development (NEPAD) and the African Peer Review Mechanism (APRM). It also calls on all the EU Member States and African countries to sign the UN Convention against Corruption and stipulates further support for various transparency initiatives, including the Kimberly Process (against "blood" diamonds) and the EITI (Extractive Industries Transparency Initiative). Where development cooperation is concerned, the EU Member States' financing objectives – 0.51 % by 2010 and 0.7 % of GDP by 2015 in the case of the "old" Member States – are reaffirmed. Economic partnerships, according to the EU-Africa Strategy, must be used as "instruments of development" and for further regional integration in Africa (see Grimm / Brüntrup, Chapter V). In the human development sphere, particular reference is made to cooperation on education (especially between universities), HIV/AIDS and migration issues. In general terms, the EU-Africa Strategy refers to the goal of a strategic partnership between the EU and Africa and especially to the hope that the summit meeting of EU and African heads of state or government, which has been pending since 2003, will take place in Lisbon as soon as possible.

On the communitarized areas of cooperation with Africa the Commission communication of October 2005 (COM(2005) 489), which preceded the strategy, is more detailed. In its October communication the Commission added a justification for the project. The thus far

longer document forms part of the common Africa strategy, but sometimes places the emphasis slightly differently from the paper which was approved by all the European actors and therefore takes precedence.

The main aim of an Africa strategy, according to the Commission, is to achieve coherence in view of the many actors involved and the different European policies. Coherence has already been described by the Commission on several occasions as a suitable policy mix, i.e. the coordinated and mutually supportive coexistence of various policies. It is not, the Commission emphasizes, a question of subordinating certain policies (such as development policy) to the objectives of others (such as security or trade policy), but of settling conflicts of objectives. On the whole, the Commission document also confirms existing basic documents on cooperation with Africa in the security, economic and financial fields. It joins a series of recent EU strategies, such as the European Consensus on Development (2005) and the European Security Strategy (2003). As its “vanishing point,” the Commission document focuses more specifically on the Millennium Development Goals (MDGs). As the Commission sees it, to avoid excessive concentration on social spending, various policies should be placed around the MDGs like the layers of an onion, the centre being formed by a reduction of poverty and improvements in the areas of education and health in accordance with the MDGs adopted in 2000. Beyond this central task, however, the economic environment for the achievement of the goals must be included. And preconditions for both aspects of development are security and good governance. The approach adopted in each instance will be determined by local conditions, according to the Commission communication.

2 What has been achieved so far?

With the EU-Africa Strategy the debate on gearing Community aid to the Millennium Development Goals has continued rigorously, as it has in the European Consensus on Development, which was adopted at virtually the same time.

Certain points were cited as successes of the Africa Strategy by the Commission and Council Secretariat in an interim report as early as October 2006. However, their list also includes measures formulated well before the Africa Strategy was approved. The aspects in the areas of security and governance include the following:

- The African Peace Facility was again replenished for security policy issues; it is to be endowed with a total of EUR 300 million from the 10th European Development Fund for the period from 2008 to 2010.
- In addition, the formation of African Stand-by Forces will be supported by the EU financially and technically.
- For post-conflict countries the EU has developed a framework to assist reconstruction, aimed in particular at security sector reforms.
- In August 2006 the Commission adopted its Governance Initiative (see Grimm, Chapter III). With the aid of an incentive tranche totalling EUR 3 billion, governance reform plans are to be assisted by the Commission; EUR 2.7 billion of this sum is intended for the African, Caribbean and Pacific (ACP) countries. For North Africa sepa-

rate mechanisms have been announced under the Neighbourhood Policy, but have yet to be elaborated.

The question of Economic Partnership Agreements is similarly mentioned in the EU-Africa Strategy (see Grimm / Brüntrup, Chapter V). In the sphere of socio-economic co-operation, a great deal will be decided for Africa in the area of agriculture and rural development. So far there have been declarations of intent on the AU's vision of the Comprehensive Africa Agriculture Development Programme (CAADP), although no practical results have yet been achieved.

Another question raised by the EU-Africa Strategy is again how to cope with migration. Conferences have been held with "source and transit countries," but have failed to deal properly with this politically delicate subject in a spirit of partnership and coherence with development cooperation.

The effectiveness of aid provided by the European Union is an aspect to which growing attention is being paid, as is evident from the commitments entered into under the Paris Declaration on Aid Effectiveness. Despite an overview of the geographical activities of individual EU Member States (in an EU donor atlas) and approaches to common EU country strategies (for South Africa, Somalia, Ethiopia and Mali), EU aid continues to be fragmented, as the Commission admits. Further donor coordination and the adoption of an appropriate division of labour remain works in progress. By placing considerable emphasis on budget aid, however, the Commission has adopted the position of opinion leader in the question of alignment with the partner country's priorities. The stated aim is to provide up to 50 % of aid for Africa in the form of budget aid.

A progress report on the EU-Africa Strategy was expected in late 2006. Gathering information on results achieved with the strategy from the Member States as well as the Community services is a particular challenge.

3 Conclusions for the German EU Presidency

1. Processes of political reform are usually a balancing act between pressure to launch reforms as quickly as possible and the need to take account of local capacities for actually undertaking the reforms. External actors should remember that the incentives they offer to local actors are but one element of many to be borne in mind. In other words, donors cannot force partner countries to undertake the reforms they would like to see: at best, they can support positive measures based on local political thinking. As the results of the structural adjustment policy of the 1980s show, reforms implemented under pressure from donors are often decided on paper, but are either not begun or not completed. To have any influence at all, incentive systems must be able to deliver results. The EU's strategy forms an important basis for further Africa policy; the focus in the future needs to be on capacities for implementing the measures decided as part of the Africa strategy.
2. The EU's political strategies have become far better and far more comprehensive and geared to international standards in recent years. This should be acknowledged. The implementing instruments, however, are still institutionally split: for Africa as a whole there continue to be three regional programmes (Mediterranean countries, sub-Saharan

Africa and South Africa) and, moreover, several thematic lines in the EU budget. These administrative handicaps were intended to be removed through the adoption of a single implementation structure, such as EuropeAid. Political planning for North Africa and the rest of the continent is, however, the responsibility of two EU Commissioners (for foreign relations and for development cooperation). This gives rise to frictional losses, which ultimately detract from the efficiency of European programmes and so indirectly hamper the achievement of the goals of EU policy. The German EU Council Presidency will not be able to overcome these internal inefficiencies on its own; they are also due to Treaty provisions on the size and composition of the European Commission, for example. From January 2007 the number of Member States will necessitate the amendment of the Treaty provisions on the composition of the Commission, which will probably come into effect in 2009 – unless the European Constitution enters into force in the meantime. The aim here should be to obtain a hearing for necessary reforms, including those needed for development cooperation.

3. Coordination of the EU Member States should be accomplished primarily on the spot in the partner countries. In only a few of the latter are all the Member States represented with bilateral programmes or projects. Nor, in many cases, is the difference between “large” and “small” EU donor countries as pronounced as might be expected from their relative sizes in Europe. In Kenya, for example, the Netherlands and Denmark as well as Britain, Germany and France are “large” donor countries. Along with the appropriate arm of the World Bank, the USA and Japan, the “large” category may also include such “new” donors as the People’s Republic of China and South Korea. Ignoring these other actors in efforts to achieve coordination would not produce optimum results for the partner countries. In these circumstances, Germany should be able to guide coordination on the spot, which will call, among other things, for a uniform approach by German government agencies operating locally. Alignment with support for reform processes in partner countries means stronger *political* engagement by the donor countries. Whether the agencies operating locally have the mandate for this at present is not clear in every case.
4. The attractiveness and practicability of European cooperation undoubtedly face new challenges in Africa. It is not only the increased intensity of the debate on the effectiveness of development aid that calls for greater concentration on the implementing mechanisms and general environment in Africa: the emergence of “new donors” is also putting the traditional European cooperation policy under growing pressure. This is especially true at the level of high-level diplomatic contacts, as regular visits to Africa and large-scale Africa summits staged by the Chinese leadership illustrate. European state visits to Africa are tending to become fewer in number, symbolizing a gradual decline in the importance attached to Europe in African public perception. An EU-Africa summit planned since 2003 has been blocked by disagreements over the attendance of Zimbabwe’s President, Robert Mugabe. The German EU Council Presidency has the difficult task here of striking a balance between the value orientation of European policy and the requirements of *Realpolitik*.
5. By working at its profile in cooperation with Africa, Germany’s bilateral policy has taken up some aspects of the EU-Africa Strategy and done some of the homework needed if there is to be closer donor coordination within the EU. What is still unclear, however, is how the building blocks of Germany’s profile relate to the priorities of other EU Member States and how they can be combined to form a coherent overall concept.

6. Besides the growing reversion to budget aid, the debates on joint financing projects of the EU Member States and the Commission have advanced. It has yet to be decided what form they should take, and this will undoubtedly be a task for both the Commission and the Member States – and especially the Council Presidency – in 2007.

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EU Economic Partnership Agreements (EPAs) with ACP regions

Sven Grimm / Michael Brüntrup

1 Background

From unilateral trade preferences to reciprocal agreements

Trade policy is one of the European Commission's main responsibilities in the area of Europe's foreign relations. Economic Partnership Agreements (EPAs) with the ACP (African, Caribbean and Pacific) States are an innovation in the Cotonou Agreement, which succeeded the Lomé Convention, having been signed in 2000 and entered into force in 2003.

Since the 1970s the European Union (then still the European Community) granted unilateral trade preferences to the former colonies of some EU countries. This was one of the cornerstones of the Lomé Convention. With the Lomé trade preferences, however, the vast majority of the ACP countries did not manage to exploit their potential competitive advantages in trade with the EU. The ACP countries' share of trade with Europe did not increase: it has, in fact, fallen from a meagre 8 % of the EU's trade volume in the 1970s to around 2 % at present. Nor was there any appreciable diversification or change in the nature of the goods exported by the ACP countries: even now, forty years after the conclusion of the first Lomé Convention, they still consist very largely of agricultural and mineral raw materials, only three products accounting for over 70 % of exports in most cases.

Besides their obvious lack of effectiveness, the main argument against the unilateral trade preferences is that they infringe the rules of the World Trade Organization (WTO). Granting a number of selected partners unilateral trade preferences infringes the WTO's basic requirement of equal treatment and, in the case of the Lomé preferences, is admissible until 2008 only with the aid of a waiver. From January 2008, then, the EU is in danger of being brought before the WTO's Dispute Settlement Body by disadvantaged trade partners. Treating trade partners differently is admissible only in the case of two categories of countries: (i) *general trade preferences* for all members accredited as developing countries by the WTO and (ii) *special trade preferences* for the least developed countries (LDCs), as defined and specified by the United Nations. This rule is intended to prevent discrimination against trade partners. Why, after all, should such countries as Botswana and Mauritius, which are classified as middle-income countries, be granted better trade conditions than Costa Rica or Thailand? The preferential treatment of the ACP countries under the Lomé Convention was justified solely by special historical relations between former colonies and the economic community of their former "mother countries."

The effect of the preferences granted unilaterally by the EU since 1975 has, moreover, weakened with the passage of time, since preferential relations lose their value as general trade barriers to other countries are lowered. For the LDCs – including those outside the ACP group – the EU policy of free market access for "everything but arms" was launched as early as 2001 (with transitional arrangements for rice, sugar and bananas, which are due to expire not later than 2008).

Under the EPAs unilateral (non-reciprocal) trade preferences are to be replaced with agreements based on reciprocity. EPAs are to come into force progressively from 2008. The concluding negotiations will thus be held during the German Council Presidency, since the second half of 2007 will in all probability be needed for the ratification of the agreements (if the timetable is kept to as planned).

The rationale of EPAs

All the EU institutions (Commission, Council and Parliament) emphasize that EPAs and trade liberalization are not ends in themselves, but instruments of development policy. On all sides “development” or “sustainable development” is declared to be the goal of EPAs. This general objective seems far from specific, however, because development and, above all, the path to its achievement it can be taken to mean all manner of things. A consensus on the specific understanding of development is most likely to be reached on the Millennium Development Goals (MDGs). But while the more restricted MDG debate places the emphasis primarily on direct measures to combat poverty by means of government spending and development cooperation to the benefit of health, education, water, etc., the economic literature refers to the decisive role of economic growth, especially for the goal of poverty reduction. Free trade is not, however, enough to ensure economic growth, and it may not even be necessary (the economic growth of many Asian countries, for example, has not been promoted by the free market economy in the classical economic sense). Both institutions able to create and gain acceptance for general conditions as well as appropriate technologies are equally decisive.

Many authors refer to the importance of institutions and good governance for economic development in sub-Saharan Africa, and they are now generally emphasized by African organizations, too (see Grimm, Chapter III). Moreover, there is now extensive academic literature on the link between government action / institutions and economic development. This view is also reflected in the Cotonou Agreement and in the rationale of EPAs. Thus, on the one hand, the aim of EPAs is compliance with global trade rules. On the other, they are seen as a lever with which economic policy institutions can be changed.

- EPAs are essentially free trade agreements based on reciprocity and governed by the conditions of Article XXIV of the WTO’s GATT (General Agreement on Tariffs and Trade). This article requires “*substantially all trade*” to be liberalized under bilateral and regional free trade agreements within a “*reasonable length of time*”. This vague wording is generally interpreted as covering some 90% of product groups traded and a transitional period of ten years, although there is no WTO arbitration on this rule of thumb, and some free trade agreements contain different clauses. There is no special derogation for regional agreements between industrialized and developing countries (as in the equivalent provision, Article V, of the General Agreement on Trade in Services – GATS). In the following – in accordance with the hypothesis that EPAs require reciprocity (asymmetrical though it may be) – the trade aspect of the EPAs is subdivided into the two aspects “market access for the ACP countries to the EU” and “market access for EU products to the ACP countries.” It would thus be possible to agree on an arrangement giving free market access for 80 % of EU goods to ACP countries and market access for 100 % of the ACP countries’ goods to the EU. In total, the result would be compliance with the 90 % rule.

- The second aspect of EPAs is regional integration, since EPAs are to be concluded (generally at least) with regions rather than individual countries. Regional integration is hoped to have not only value-based motives (based, among other things, on the EU's experience of regional integration) but also a number of economic advantages: creation of trade, distribution of risks, easier dissemination of information and knowledge through people, goods and institutions, exploitation of economies of scale and mobilization of neglected border areas. The interregional smuggling that is already happening on a large scale could be legalized, thus eliminating the traders' negative selection and reducing the high transboundary transaction costs. EPAs will enable producers to learn better in regional markets than in domestic ones to hold their own in global competition, to comply with political and product standards, to set up international networks, etc. Regionalism is meant, after all, to help overcome the influences of local monopolies. The EU's experience of regional integration often shape, it would seem, the objectives, but the goal of stronger regional integration is shared by almost all the actors. In short, regional markets are to act as the "springboard to the world market."

It is repeatedly emphasized by the EU that EPAs are far more than mere trade agreements. They will, or are designed to, include various other sectors of the economy which are important for the realization of the potential of the trade aspect of the EPAs and also, in general terms, for the economic development of the ACP countries. They include, in particular, standards, investment and competition rules, government procurement and customs procedures.

2 Challenges during the EPA negotiations

LDCs as well as other countries are represented in all African regional organizations with which the EU is currently negotiating EPAs. Two thirds of all African countries are classified as LDCs. Seven African countries are classified by the World Bank as low-income countries (LICs) without being LDCs: Côte d'Ivoire, Ghana, Cameroon, Kenya, Congo (Brazzaville), Nigeria and Zimbabwe. A further eight count as middle-income countries: Botswana, Cape Verde, Gabon, Namibia, Mauritius, South Africa, Seychelles and Swaziland.

The starting positions and interests of the African countries involved in the various EPA negotiations thus vary widely in some respects: LDCs will in any case have free market access for their goods from 2008, whereas other countries are very much threatened by the loss of preferences. The question for LDCs is what added value EPAs will bring compared to the everything-but-arms initiative. Reference has so far been made in this context to a more secure legal status (reciprocal agreements rather than arrangements which are unilateral and can therefore be restricted unilaterally) and to the possibility in EPAs of adding trade in services to the current Lomé preferences. Then there are arrangements for other economic issues. These advantages will be valued very differently in the various countries, depending on domestic conditions.

When assessing the EPAs, however, the countries cannot look solely at trade agreements with the EU: for one thing, even for countries inclined to reject them, the formation of regional customs unions will create new circumstances which will need to be taken into account if regional isolation is to be avoided. For another, a significant part of European

development cooperation with the region, and especially the European Development Fund, is to be used to support the EPAs. Careful dovetailing of trade and development policies is seen as a special opportunity presented by the EPAs to the ACP countries to press ahead with coherent development processes. There are, however, major differences between the ACP countries and the EU in the assessment of the resources that will be needed, the binding nature of the relationship between EPAs and development aid, the suitability of EU instruments (e.g. speed of disbursements), the additionality of EPA-supporting payments to other development aid payments, etc.

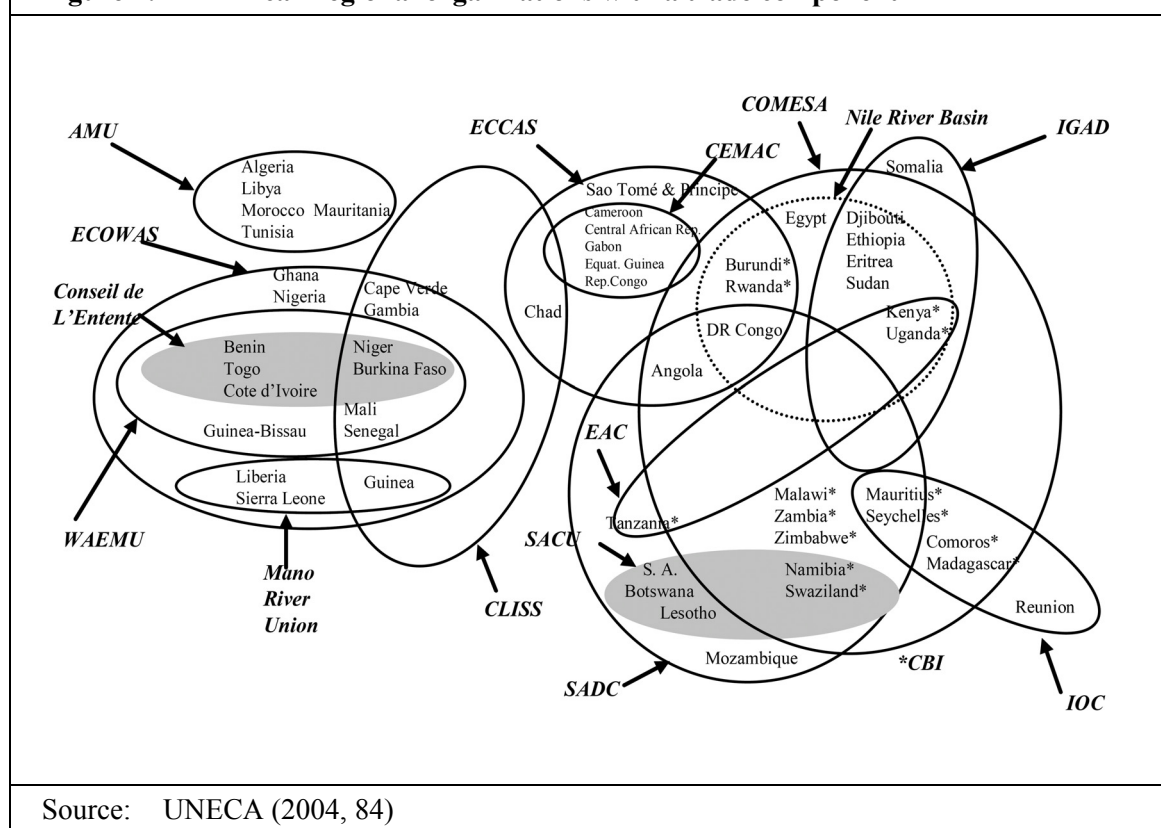
A particular difficulty in Africa is the juxtaposition and confusion of regional organizations with sometimes mutually exclusive economic objectives (see Figure 1). The EU sees EPAs as an incentive to the ACP countries to unravel their unsustainable tangle of regional institutions. On the other hand, EPAs may also inflame conflicts of interests between countries in existing regional organizations. Whether EPAs will achieve their goal of advancing regional integration is therefore uncertain.

Eastern and southern Africa raise special problems in this context. The EU is negotiating an EPA with the Southern African Development Community (SADC), of which South Africa is also a member. But there is already a separate EU agreement with South Africa. Thus, although South Africa is politically part of the ACP group, it is subject to separate trade arrangements. A number of South Africa's neighbours – Botswana, Namibia, Lesotho and Swaziland – are, however, united with it in a customs union. Besides South Africa, 16 countries belong to the SADC. But of these, only seven are negotiating as a group with the EU. The other SADC members, such as Zambia and the Democratic Republic of Congo, are negotiating in other regional contexts (see Figure 1). Tanzania, on the other hand, sees itself as forming a distinct political part of the SADC, but is economically closely linked by a customs union to its neighbours Kenya and Uganda in the East African Community (EAC). These two countries are not members of the SADC and are negotiating with the EU as part of another group, ESA (a collection of countries belonging to COMESA, the Common Market of Eastern and Southern Africa). The members of the SADC also differ very widely in their level of development, South Africa not only being far more prosperous than, say, the two LDCs Lesotho and Mozambique, but also having a completely different economic structure with its own (industrial) policy interests.

3 Conclusions for the German EU Council Presidency

During its EU Council Presidency Germany will chair the EPA negotiations as they reach their official closing phase. The shaping of EPAs to make them conducive to development and attractive to African countries or their representatives sometimes resembles an attempt to square the circle: on the one hand, the EU emphasizes Africa's ownership and responsibility for its own fate; on the other hand, the EU would like actively to support structural change in Africa and so has a strong impact on the interests of various groups in African countries. It is difficult to gauge just how much political pressure emanates from the EU for the reform of regional organizations.

At present, the European Commission in particular is stressing the potential positive sides of EPAs, while the ACP countries and some EU Member States tend to be sceptical. It must be emphasized, however, that even within the African community of states and within

Figure 1: African regional organizations with a trade component

Source: UNECA (2004, 84)

individual countries opinions differ considerably on what economic arrangements are appropriate and should be forced through with the aid of EPAs against the opposition of certain internal interest groups. In the Cotonou Convention the EU and ACP countries have agreed on EPAs, the latter, however, with reservations. The objections officially voiced by the ACP partners can, however, also be interpreted as a tactic to gain more concessions from the EU (primarily resources for development cooperation). Their concerns may have societal (development-oriented) motives or of (rent-oriented) motives led more strongly by interest groups (or both), but, above all, they are likely to reflect uncertainty about the actual impacts of EPAs and the opportunities for monitoring. However, doubts have also been expressed by EU institutions, which are the more critical, the less they are involved in the negotiations. What is particularly unclear is how the delegations from the EU Member States behave during the negotiations.

Although EPAs emphasize trade liberalization and liberal change, they also seek to strengthen government institutions, which is what all the actors involved want to see. The neglect of government institutions and the inadequate interest shown in their ability to take action were major criticisms levelled at the structural adjustment programmes (SAPs) of the 1980s and 1990s. Despite these differences, doubts are emerging as to whether EPAs are not being used in an attempt to achieve precisely what had no more than a qualified impact in the SAPs – general recommendations for action by countries with very different problems. And by being brought together in regional communities, countries may find their decision-making freedom even more severely restricted than by the individual structural adjustment programmes of the 1980s. EPAs should therefore allow for sufficiently long transitional periods and provide for sufficient support for account to be taken of the

different needs of different countries. The effects of implementation should be constantly monitored so that any adverse effects on the partner countries' development may be counteracted appropriately by, say, the extension of time-limits or the provision of additional support.

There is ultimately a danger that the agreements will be overly complex, and thus (i) can no longer be negotiated by the ACP countries appropriately and to their own advantage, (ii) will not be fully grasped and (iii) will not be implemented. In development terms, EPAs can succeed only if during the negotiations the governments are convinced of the contents and of the limits to their own power. Ultimately, it is them who will, of course, have to sign and implement the agreements.. For this, sound arguments and time will be needed.

For the German Council Presidency the hot phase of EPA negotiations may have a number of implications. It will have to act as broker in the disagreements between the EU Commission, the EU Member States and the ACP countries, for example. The wealth of subjects and the pressure of time may result in the conclusion of a framework agreement with issues still unresolved and in further negotiations having to be arranged for a future date. What is also very likely (though, to maintain the pressure to negotiate, not yet officially predictable) is an extension of the negotiating period in the expectation that no WTO member will complain about the continuation of the Lomé preferences as long as serious negotiations are being conducted. This expectation is even likely to be plausible for the next year or two, since WTO complaints are time-consuming and expensive and such a complaint might be a serious obstacle to the resumption of the Doha Round.

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Strengthening the dynamism of private-sector growth in sub-Saharan Africa

Christian von Drachenfels / Tilman Altenburg

1 Why it is important to strengthen private-sector growth in sub-Saharan Africa

Private-sector growth is one of the most important levers for reducing poverty. If poverty is to be reduced in sub-Saharan Africa, productive employment opportunities must be created, primarily in the agricultural sector, but also in the industrial and service sectors, i.e. employment that makes higher incomes and living standards possible. As employment in the public sector, traditionally the largest employer in sub-Saharan Africa, is declining if not in absolute, then at least in relative terms, almost all the necessary productive jobs must be provided by the private sector. This presupposes a functioning market economy in which private actors have incentives to invest. Development measures which increase the capabilities and efficiency of the market economy are therefore of the utmost importance for the achievement of the first Millennium Development Goal (halving the proportion of the world population suffering from extreme poverty and hunger by 2015).¹ Much the same applies to many of the other Millennium Development Goals, since more and more infrastructure, for example, is also provided by private actors on a market basis. Furthermore, government development efforts cannot be financed sustainably unless growth dynamism with roots in the private sector generates the necessary resources.

However, the development of efficient market economy institutions and actors in sub-Saharan Africa is lagging well behind the progress being made in other developing regions. This is reflected, for example, in limited economic diversification, a small number of dynamic businesses and, consequently, high unemployment rates and a large proportion of insecure and unproductive jobs and in raw materials accounting for a large proportion of exports as against limited exports of manufactured goods and services.

This analysis is not new. What is surprising, however, is that in international development cooperation no more than secondary importance is nonetheless attached to strengthening Africa's economic potential. The debate on African development clearly has two shortcomings:

1. Insufficient account is taken of the importance of an efficient market economy, and thus the ability to set in motion the national economic and development dynamism that can relieve the countries of the region (like many Asian countries) of their dependence on constant transfer payments. The first generation of Poverty Reduction Strategy Papers (PRSPs) and, for example, the UN Millennium Project² place the emphasis on social issues, crisis and conflict prevention and good governance. These are some of the main issues in African development, but they do not provide an adequate approach for ensuring employment and incomes sustainably.

1 According to a report of the UN Economic Commission for Africa (UNECA 2005), 46 % of the population of sub-Saharan Africa were living on less than US\$ 1 a day in 2000.

2 See on line: <http://www.unmillenniumproject.org/>.

2. Where programmes closely concerned with the economy are supported, they are usually based on a “minimalist approach”: the primary task of government and development cooperation is seen as being to reduce bureaucracy, to guarantee private property rights and to provide infrastructure. This is based on the belief that a deregulated business environment is by and large enough to unleash a dynamic private sector. Liberalizing trade as quickly as possible will, it is claimed, improve the allocation of resources and open up new markets for exports from the sub-Saharan African countries. Public institutions in such areas as consultancy, marketing and sectoral business promotion are thought to be largely incompetent. Measures that are selective, i.e. differentiate sectorally, by regions or by the size of businesses, are viewed with particular scepticism (see World Bank 2004; Pack / Saggi 2006). Thus even production-oriented services for farmers and the owners of small businesses are meant to be provided at cost-covering rates and by providers who operate on a market basis.

We contend in the following that the currently popular “minimalist” line of argument is based on false premises, despite the criticism, very legitimate in many respects, of the rent-seeking conduct of government bureaucracies and of the limited efficiency of many “assistentialistic” development cooperation approaches to business promotion. It is wrong to assume (i) that free trade always benefits poor sub-Saharan African countries, (ii) that the informal sector will develop rapidly once the business environment has been freed from bureaucracy, (iii) that private loans would be allocated to small businesses if only they had private property titles and (iv) that services for the agricultural sector and for small and medium-sized enterprises (SMEs) can manage without being subsidized or provided by the public sector. The private sector in sub-Saharan Africa needs more than a deregulated business environment. The aim should also be to support adjustment measures taken by businesses, to promote innovations that open up new markets, to improve technical and management skills, to develop relations between suppliers and large businesses currently operating in isolation, to establish international value-added chains and to do a great deal more of what is in need of selective government promotion.

The following begins with a description of the present minimalist mainstream debate on the strengthening of growth dynamism in sub-Saharan Africa. We then discuss other elements of business promotion, which are mistakenly being neglected in the current Africa debate.

2 Current debate on strengthening business activities in sub-Saharan Africa

The mainstream debate

In the present mainstream debate reference is made to requirements that are important, but not sufficient, for the development of private-sector-driven growth dynamism in sub-Saharan Africa. This discussion is shaped in particular by the *Doing Business* reports (see World Bank / IFC 2006) and the influential work of Hernando de Soto (see de Soto 2000). The core aspects here are:

In many sub-Saharan African countries the *environment for business activities* is particularly poor and an obstacle to local and foreign investment. The *Doing Business* reports of the World Bank and the International Finance Corporation (IFC) have identified ten areas

of government regulation that are slowing the development of the private sector. Time-consuming and expensive government regulations, for example, hamper dynamism conducive to competition when businesses are set up and closed down. The costly and time-consuming registration of property and enforcement of contracts in the courts are as much of a problem for businesses as regulations that obstruct cross-border trade unnecessarily. The *Doing Business* reports see the time and expense associated with regulations as particularly important indicators in this context. Table 1 clearly shows that the time spent dealing with selected regulations is greater for businesses in sub-Saharan Africa than in other regions of the world. This is even truer of the costs associated with those regulations.

The fact that many sub-Saharan African countries have virtually no entrepreneurial middle class (*“missing middle”*) is attributed by the proponents of a minimalist view to unfair regulation. The many micro businesses often operate in the informal sector because, on the one hand, they are loath to spend time and money on formalization owing to the poor quality of regulations described above and, on the other hand, by remaining informal, they avoid taxation. Some of the few large businesses are influential enough to circumvent at least partly the regulations that concern them. As a rule, however, micro businesses have no incentive to grow because the costs involved are higher than the expected returns.

Table 1: Selected indicators in the 2007 <i>Doing Business</i> report								
Region	Starting a business		Registering property		Trading across borders			
	Duration (days)	Cost (% GNI per capita)	Duration (days)	Cost (% of prop- erty value)	Days for		US\$ per con- tainer	
					Ex- port	Im- port	Ex- port	Im- port
Sub-Saharan Africa	61.8	162.8	109.9	11.6	40	51.5	1.561	1.947
East Asia & Pacific	46.3	42.8	85.8	4	23.9	25.9	885	1.037
Europe & Central Asia	32	14.1	102	2.7	29.2	37.1	1450	1.589
Latin America & Caribbean	73.3	48.1	77.4	6	22.2	27.9	1068	1.226
Middle East & North Africa	40.9	74.5	49.4	6.9	27.1	35.4	924	1.183
OECD	16.6	5.3	31.8	4.3	10.5	12.2	811	883
South Asia	32.5	46.6	118.6	5.3	34.4	41.5	1236	1.495
Source: on line: http://www.doingbusiness.org								

The efficiency of government conditions and regulations affecting the private sector (starting businesses, registering property, legal certainty, etc.) must therefore be improved so that production costs fall and investment consequently becomes more attractive to both local and international businesses.

For businessmen in sub-Saharan Africa both the *inaccessibility of capital* and the *lack of infrastructure* (electricity, telecommunications and transport) are major obstacles to the growth of their businesses. World Bank surveys of the investment climate in sub-Saharan Africa have shown that the lack of capital for investment, to which almost 70 % of businessmen referred, is extremely high compared to other world regions (see World Bank 2004).

The financial sector in sub-Saharan Africa must be improved to enable large businesses to undertake the investment that is needed for the production of high-quality products that are competitive in the world market. Micro businesses also need (micro)financing if they are to make the leap out of the informal sector and, for example, to specialize within local value-added chains.

Energy and transport infrastructure must be expanded. On the one hand, this is essential for efficient production; on the other, transport infrastructure in particular is important for the creation or improvement of larger regional markets in sub-Saharan Africa and for the penetration of global markets. Through the promotion of information and telecommunication technologies the “digital divide” is to be narrowed.

Increasing exports of agricultural and manufactured goods is necessary if additional growth is to be achieved. Few businesses export industrial products. As technological capacities are poorly developed, especially with regard to commercially useful applied research, sub-Saharan Africa produces hardly any high-quality industrial goods that are competitive in the world market. Yet this is important since the traditional exports of raw materials generate few jobs and exports of agricultural products are affected by the industrialized countries’ protection of their domestic markets and by volatile world market prices.

Besides the opening of the industrialized countries’ markets (principally to agricultural products) as a result of the World Trade Organization (WTO) negotiations, South-South trade integration with South America and Asia may open new markets for exports from sub-Saharan Africa. Sub-Saharan African countries need assistance with the preparation of their national economies for liberalized world trade. The Aid for Trade initiative (see IMF / World Bank 2005) is therefore being used for the development of trade know-how and the expansion of the infrastructure needed for global trade (e.g. air- and seaports). To facilitate integration into world trade, adjustment to uniform global standards in the areas of metrology, standardization, testing and quality management (MSTQ) is also being promoted in sub-Saharan Africa.

Aspects requiring greater emphasis

The mainstream argument for strengthening the dynamism of private-sector growth in sub-Saharan Africa does not go far enough to permit the sustainable development of the private sector. For economic growth the following measures are needed:

Some *business development services* (BDS) are available from private providers. However, if BDS are to promote the development of the private sector as a whole, they must be provided purposefully by the public sector, too. Continuous growth calls for management skills which many owners of small businesses do not possess. The gap represented by the “missing middle” can be closed only if the *development of entrepreneurship* is also encouraged by targeted training courses and an environment conducive to an entrepreneurial spirit, primarily in the area of further (university) education.

Strengthening the relative innovative capacity of businesses must be achieved through improved training and investment in research. The lack of innovative ventures in sub-Saharan Africa is partly due to inadequate secondary training and poor in-service training. Although the proportion of people receiving at least secondary education in sub-Saharan Africa doubled from 10 % in 1980 to over 20 % in 2000, sub-Saharan Africa lags well behind East Asia (almost 40 %) and South America (about 30 %) in this field (see World Bank 2004, 138). Innovative ventures require the identification of market opportunities and deliberate efforts to exploit them. For this to happen, entrepreneurial spirit and management skills are required. Good basic education is needed for both, but there are strong indications that these skills can be improved by further education and possibly even targeted further training. If this makes for integration into global value-added chains, knowledge and technology transfers that increase the innovative capacity of local businesses in sub-Saharan Africa may be possible. Knowledge and technology transfer can also be achieved through development cooperation during cooperation projects in sub-Saharan Africa with the private sector in industrialized countries, for example (public-private partnerships – PPPs).

It is important for *the integration of the sub-Saharan African countries into world trade to be appropriate to their individual needs and situations*, so that domestic businesses are not crowded out by competition in the world market. The advanced liberalization of world trade through the WTO leaves sub-Saharan African governments with fewer opportunities to promote industrial sectors under their trade policies than South-East Asian governments enjoyed. This led the economist Sanjaya Lall to recommend a strategy of managing liberalization for sub-Saharan Africa. Processes of trade liberalization can and should not be delayed by sub-Saharan African countries, but must be prepared and monitored effectively. Lall refers, however, to the need for gradual liberalization that increases the competition for local producers steadily, not at too great a pace. To preclude ineffective subsidization measures, action taken to support the private sector must, however, be accompanied by clear production and export targets, like those set in Asian countries (see Lall 2000).

3 Conclusions for the German G8 and EU Council Presidencies

Key documents of the G8 and the Council of the European Union on sub-Saharan Africa (especially the G8's 2002 Africa Action Plan, the Africa document adopted by the G8 at Gleneagles and the EU-Africa Strategy; see Grimm, Chapter V) cover some of the main aspects that may help to strengthen growth dynamism in sub-Saharan Africa. Where the private sector is concerned, however, excessive emphasis is sometimes placed on growth potential resulting from an improved business environment, measures to expand infrastructure and the rapid integration of sub-Saharan Africa into liberalized world trade.

In the reform of institutions and regulations, the Investment Climate Facility for Africa³ supported by the G8 considers important factors for improving the environment for investment. The significance of these factors for economic dynamism is not disputed, but the need for the aspects which we have mentioned must not be neglected, since they, too, must be taken into account if the investment climate in sub-Saharan Africa is to be improved. This is to be achieved, for example, with the Africa Enterprise Challenge Fund (AECF)⁴ initiated by the 2005 report of the Commission for Africa and scheduled to be launched in 2007. The AECF is meant specifically to assist new and innovative business models, with the poor as the target group.

The declaration by the Council of the European Union on sustainable economic growth, regional integration and trade in the EU-Africa Strategy similarly takes too little account of more comprehensive measures to promote the private sector. During the German EU Council Presidency, in the General Affairs and External Relations Council (GAERC), and at the G8 summit the German Ministry for Economic Cooperation and Development (BMZ) should advocate a broad debate that extends beyond the “minimalist approach” of merely improving the business environment as a means of promoting growth dynamism in sub-Saharan Africa.

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3 See on line: <http://www.investmentclimatefacility.org>.

4 See on line: <http://www.dfid.gov.uk/news/files/aecf.asp>.

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Science and technology: new forms of cooperation with sub-Saharan Africa

Andreas Stamm

The following essay begins by arguing that science and university education are essential in sub-Saharan Africa if, as is demanded politically with growing urgency, the continent is to develop its own strategies for addressing the future. The analysis of the situation that then follows forms the basis for reflections on how the subject might be treated in the G8 and EU context.

1 Outline of the potential: knowledge as a development factor

There is as yet no generally shared view on the terminology to be used for changes at global level that lead to the factor knowledge assuming growing importance for economic development and social change. Depending on whether greater emphasis is placed on the economic or the societal dimension, how advanced structural change is deemed to be and whether the focus is on existing knowledge or on the ability to absorb and generate new knowledge, different terms are used, examples being knowledge society (Mansell / Wehn 1998), knowledge-based society (Arab Human Development Report 2003), globalizing learning economy (Lundvall / Archibugi 2002) and knowledge economy (e.g. World Bank 2003).

Although the concept has yet to be fully developed, there is sufficient evidence to show that sub-Saharan Africa, too, faces the challenge of rapidly increasing its capacities for the acquisition, application and further development of knowledge if it is not to fall behind other regions of the world and if it is to be able to use technological advances for its own development.

Important from the economic point of view are the widely accepted findings of the endogenous growth theories, according to which the long-term growth of an economy depends to a considerable degree on its absorption or generation of new knowledge and the education and training of its human resources. This link is especially true of all developing countries wanting to exploit growth impulses by integrating into the world market, where there has been a shift in trade shares from products of low technological intensity to goods of greater complexity and knowledge intensity since the 1980s. From 1980 to 1998 technology-intensive industrial goods¹ as a proportion of all exports from developing countries rose from 11.6 to 31.0 % (UNCTAD 2002, 68).

But even developing countries unable actively to emulate this shift in world trade cannot avoid the greater demands being made on their capacities for the absorption, application and further development of knowledge. Many value chains hitherto classified as knowledge-extensive and characterized primarily by quantitative parameters are today making

1 According to the UNCTAD (United Nations Conference on Trade and Development) definition: "Manufactures with high skill and technology intensity."

growing demands on market participants. Participation in the market is becoming more and more dependent on compliance with qualitative criteria. Products and processes must increasingly meet complex standards (e.g. ISO 9000, environmental and social standards), and the developing countries must be able to prove compliance by scientifically sound methods. A growing number of transactions between the actors in the chain are based on information and communications technologies, which are developing dynamically and becoming more complex.

Efficient knowledge systems are needed in developing countries so that they may develop their own contributions to the solution of regional and global problems. Challenges that are being treated at global level, such as climate change, so very relevant to Africa, must be broken down into their regional, national and subnational components if appropriate problem-solving or adjustment strategies are to be found. Much the same can be said, for example, of overcoming the consequences of migration or combating endemic diseases, which play a special role in the African context.

The rapid spread of efficient communications networks in developing countries – increasingly even in the sub-Saharan African countries, hitherto virtually isolated in this respect – is making it possible in principle for them to gain access to internationally disseminated knowledge and to communicate with sources of know-how in other countries or other parts of the world. A country is thus able to increase its own problem-solving capacities to a degree that would have been hardly conceivable only a few years ago. The developing countries must therefore have the ability to recognize problems, to analyse them, to seek out the right sources of knowledge and cooperation partners and to work with the latter in the search for a solution.

A workable knowledge system, associated with quantitatively and qualitatively adequate education and training at tertiary level, is also important for social change and the development of good governance in developing countries. Given a minimum of social mobility and provided they are not only used to reproduce traditional elites, universities are potential incubators for change agents. In many developing countries universities have been – and still are – important platforms for the development of alternatives to traditional models of society and for critical debates on outdated policy patterns.

Finally, developing countries need efficient creative elites consisting of qualified people capable of devising complex development programmes for their countries, or of providing the impetus in this context, and of gaining the donor community's commitment to such programmes.

2 Knowledge for development in Africa

Initial situation and challenges for Africa

There are now many indicators, and rankings derived from them, that attempt to gauge the extent to which a country is prepared for the structural change outlined above. In terms of both input factors (e.g. spending on education, research and development) and output figures for innovation systems (e.g. papers published in refereed journals, patents) the sub-Saharan African countries are way behind in any international comparison; as a rule, the

only exception is South Africa. However, there are a number of countries, such as Ghana and Senegal, where significant efforts are being made to strengthen society's knowledge base (Müller 2006).

The most important institutions of knowledge society in the African continent - besides a number of regional centres of excellence, such as the agricultural research centres of the Consultative Group on International Agricultural Research (CGIAR) are the universities, estimated by various authors to number between 680 and 1000 (Adei 2003, 94). The majority of these have suffered for some considerable time from being underequipped in terms of premises and infrastructure and understaffed in terms of teacher-student ratios and from conducting very little research of their own. The main challenge is to ensure a high quality of tertiary education and training and at least some research while the number students rises sharply:

- Even without mayor changes in the inclination to study, demographic factors in most countries will lead to a steadily growing number of students.
- As elementary education becomes universal (Millennium Development Goal / MDG 2), the demand for secondary education will grow. If it cannot be satisfied, considerable frustration or educational migration may result.
- For reasons of gender equality (MDG 3), too, student numbers are bound to rise. In most African countries women are clearly underrepresented in tertiary education.
- Compared to other developing regions, enrolment ratios at tertiary level are extremely low in Africa. From this point of view, too, there is thus a need for an increase, commensurate, as far as possible, with the absorptive capacity of labour markets.

Current debates on knowledge for development in Africa

Since the beginning of the new century aspects of the unequal development of the global knowledge society have attracted growing attention in the international development debate. Since the G8 summit held in Okinawa in 2000, first the G8 (Digital Opportunity Taskforce, Dotforce) and then the UN (UN-ICT [Information and Communications Technologies] Taskforce and the World Summit on the Information Society 2003 and 2005) have shown a marked interest in the widening gap between industrialized and developing countries as regards access to the internet and the modern information and communications technologies (digital divide). Reference has repeatedly been made to the particularly precarious situation in sub-Saharan Africa, which is characterized by an especially low density of access to networks and technologies and by prohibitively high costs for most users (institutes of education, businesses and non-governmental organizations). The inclusion of the subject in the overall problem of far from adequately developed knowledge systems has been no more than cursory and has been considered no more than marginally in the development of action programmes.

The G8 Africa Action Plan adopted at the Kananaskis summit devotes one of a total of eight areas of action to the problem of inadequately developed knowledge systems and sees the improvement of education and training on the one hand and the expansion of “digital opportunities” on the other as related lines of action. The Africa paper adopted at the G8 summit held at Gleneagles in 2005 reiterates support for science and universities in Africa.

It is not only the donors who have introduced the subject of tertiary education, knowledge and research into the formulation of strategies for Africa's development in recent years: the most important reference document on the issue is the Science and Technology Consolidated Plan of Action (STCAP) approved by the African Union (AU) and NEPAD (New Partnership for Africa's Development) in 2005.² This plan assigns to the development of science and technology a strategically important role in the future development of the continent:

"The vision of this 'Science and Technology Consolidated Plan of Action' is that of Africa that is free of poverty and well integrated into the global knowledge economy." (STCAP 200, 10)

Four programme clusters refer to ambitious research and development programmes ranging from water and resource management through bio- and information technology to laser technology. Africa intends to become capable of action in these technological fields primarily through regional and continental cooperation.

3 Recommendations for the German G8 and EU Council Presidencies

The subject of science and technology in Africa will presumably play an important role at the G8 summit in 2007; declarations of intent to this effect have been tabled by Britain and Canada. It was discussed at the meeting of the Carnegie Group (G8 research and education ministers) in December 2006; the German Ministry of Education and Research (BMBF) invited representatives of the African Ministerial Council on Science and Technology (AMCOST) to attend. By coordinating the approaches adopted in development cooperation and in scientific and technological cooperation, Germany has a chance to achieve a high degree of visibility and to demonstrate coherence between the two outward-oriented areas of policy.

In the existing focal areas of development cooperation with sub-Saharan Africa there are points of common interest conducive to a joint approach with actors in the area of scientific and technological cooperation, examples being sustainable economic development and water. Systematic networking of development cooperation programmes with local knowledge institutions may contribute to the strengthening of science and research; such measures should be linked to scientific and technological cooperation activities, through the further training of African experts or institutional partnerships with German universities, for instance.

Other G8 countries – foremost among them, Canada and Britain – are already supporting the implementation of the Consolidated Action Plan. But this does not in any way make contributions from other countries superfluous. The plan is ambitious and enables many actors to participate with their own competences, with no fear of redundancy. If, however, Germany is to occupy an appropriate position in the overall context, there will need to be complex coordination externally – with the African partners within the framework of EU development cooperation and the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD/DAC) – and internally between the

² See on line: http://www.nepadst.org/doclibrary/pdfs/ast_plan_of_action.pdf.

BMZ and other government departments which, on their own initiative, can and want to help strengthen the African system of tertiary education and science.

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Cooperation with African anchor countries: challenges for European and German external relations

Klaus Liebig

1 The importance of anchor countries in international cooperation

On the first day of the G8 summit at Gleneagles the heads of state or government met their counterparts from five countries referred to in the summit document as “emerging economy countries”: Brazil, India, Mexico, China and South Africa. The aim was essentially to convey to them the G8’s ideas on solving the global climate problem. On the second day of the summit a meeting was held with a number of African heads of state or government for a discussion of the summit’s “Africa agenda”. The main issue here was G8 support for African development efforts. This group again included South African President Mbeki.

The summit choreography reveals that the policies and economic activities of some countries (in this case, South Africa) are of an importance for regional and global governance processes that extends well beyond their frontiers. The European Commission and the USA refer to “anchors” in the regions, the term having more of a security connotation for the USA. The German Development Institute (DIE) similarly designates such countries as anchor countries. They are characterized by their particular geographic, economic and demographic size, due to which they will both make a decisive contribution to such global problems as climate change and potentially play a special role in the shaping of global governance and dynamism in their respective regions of the world. This essay suggests that, given its interest in global governance, the G8 should cooperate more closely with the anchor countries and place that cooperation on broader conceptual foundations. As the G8 is, first, too weak as an independent actor and, second, not sufficiently legitimized, the EU and its Member States must advance this reform process in their own institutions. In the following, Germany’s external relations are taken as an example to illustrate the possible implications.

Since the 1970s Germany’s foreign policy towards Africa has been regarded as largely free from “hard” national interests (Engel 2005). Economic links with the continent have always been tenuous, and although Germany has a colonial past, it differs significantly from that of France or Britain (ceasing to be a colonial power after the First World War). Africa was (and is) perceived almost entirely in development terms. The debate on the Millennium Development Goals (MDGs) and the NEPAD (New Partnership for Africa’s Development) initiative has led to a meeting of minds among development experts, based on the mainstream development debate (“post-Washington consensus”). According to this, the African governments themselves are initially responsible for creating development-friendly conditions in their countries. The international community undertakes to support those countries’ own efforts with a helpful international framework and with additional resources for development cooperation. It remains to be seen in the future how far shared interests capable of withstanding adversity underlie this consensus. This will depend not least on the industrialized countries’ cooperation with the anchor countries.

The term “anchor country” is controversial. What is not disputed is that anchor countries exist as a category. Other researchers refer to the same (or a very similar) group of coun-

tries as “regional powers”, “emerging powers” or “rising powers”. In the context of international development cooperation they are also known as “emerging donors” because such countries as China, India, South Africa and Turkey are increasingly using their own development cooperation as an instrument in their external relations. The British have recently referred to South Africa as their “footprint country”.

The main criticism of the term “anchor country” is that the anchor countries may feel they are being used as “anchors of the industrialized countries”. South Africans complain, for example, that the term “assigns” to their country a role which it may not want to play in any circumstances. This is a misunderstanding, because the term “anchor country” does not seek to have any normative significance. It is intended to describe the (indisputable) importance of certain countries for the solution of regional and global problems. Whether the country plays such a role constructively or destructively remains open for the time being. It is hardly conceivable, however, that an anchor country has no impact at all on its region and the world; it thus plays a role as an anchor country whether or not it seeks to do so.

In sub-Saharan Africa South Africa and Nigeria can be described as anchor countries (Stamm 2004). Of course, other countries – such as Kenya, Ghana and Ethiopia – also play an important role in certain contexts. But Nigeria and South Africa dominate their respective regions and are also perceived internationally as being the two most influential players in sub-Saharan Africa. This is due not only to their size but also to their political leaders, who have skilfully used their countries’ influence to advantage. The following comments focus on South Africa, since it has provided the more important impulses for the further development of regional and global structural policies.

South Africa is an “upper-middle-income country” with a per capita income comparable to that of Turkey or Thailand. However, it features enormous socio-economic disparities within the country, which are reflected *inter alia* in the world’s second highest Gini coefficient (after Brazil). Furthermore, the consequences of apartheid are evident everywhere; the country is still deeply divided. This polarization penetrates every societal, economic and political sphere and characterizes the political shaping of the transformation process.

2 South Africa as a protagonist of the “new Africa”

Although South Africa has retained Mandela’s policy of intensive international diplomacy under Thabo Mbeki’s presidency, it is concentrating (even) more specifically on the African continent. High on the African agenda is an “African renaissance”. For this South Africa is engaged politically (African Union, NEPAD, African Commission on Human and People’s Rights), militarily (peace missions in the Democratic Republic of Congo, Burundi/Rwanda, Sudan, Côte d’Ivoire, etc.) and financially (introduction of its own development cooperation for African countries). Owing to its economic, political and military size, South Africa has considerable regional influence, which it has increasingly exercised since the end of apartheid. (Landsberg 2005; Draper / Wheeler / Alves 2006). However, this influence soon reaches its limits, since its neighbours eye the regional power with suspicion. South Africa has therefore always been at pains not to appear as a hegemonic power, but to involve all its negotiating partners equally through quiet diplomacy (“soft power approach”). In addition, South Africa’s desire to be perceived as representing “Af-

rican interests” means that it must treat with considerable reserve any attempt by industrialized countries to form coalitions of interest with it. South Africa frequently – at times contrary to its own convictions – teams up with African governments to avoid being described as a “henchman of the North”. Typical of the attitude of some neighbouring countries is a comment by the Nigerian government in the mid-1990s: “South Africa is a white country run by blacks.” This was intended as a protest by the then Nigerian government against President Mandela’s interference in condemning the execution of the human rights activist Ken Saro-Wiwa. South Africa’s controversial policy towards Zimbabwe can be attributed at least partly to this attempt to uphold African unity.

As early as the apartheid years Germany attached special importance to South Africa, as the intense debates on an economic boycott of the country showed. Once President Mandela took office, South Africa changed into “everybody’s darling” in international politics, resulting in German politicians doing a great deal of travelling. With few other countries could development cooperation be justified in so morally unobjectionable a way as with South Africa. Although South Africa still has a special status ten years after apartheid and development policy instruments should therefore continue to play an important role, Germany’s bilateral interests can and must be differentiated so that cooperation may be placed on a new basis in the medium term. The following specific bilateral interests can be identified (Liebig 2006):

1. *Support for the South African model of transformation* to a democratic, economically stable country so that it may also act as a “showcase” in Africa. In virtually no other African country are the conditions so favourable for a sustainable economic, political and social process of development. However, there are still major uncertainties as to whether South Africa will successfully cope with the transformation process; the situation is unstable because of internal risk factors (social inequality, HIV/AIDS, crime, etc.).
2. Increasing South Africa’s *regional charisma*. South Africa performs the function of an anchor country in Africa in political, security and economic terms. Its government has lent new dynamism to the debate on good governance in Africa. NEPAD and other regional initiatives endorse Germany’s interest in political stability and good governance in the region. Although a major regional power militarily, South Africa uses its military resources solely for peaceful purposes, thus deliberately separating itself off from its own history under the apartheid regime. Most, though not all, post-conflict missions in which South Africa has participated have been successful and in keeping with Germany’s interest in there being African mechanisms to resolve African conflicts. Economically, too, Africa’s relative size and its linkages in the continent enable it to act as a driving force, especially in southern Africa. Indirectly, then, South Africa’s positive economic development will contribute to the achievement of the MDGs in other parts of Africa, too.
3. *Cooperation with South Africa in the shaping of global structural policy*. South Africa’s constructive role as broker between North and South in important global governance fora is in Germany’s interests and complements its own efforts to strengthen multilateralism. Although South Africa has not acted entirely without regard for its own foreign policy interests in the past ten years, it has avoided pursuing its own short-term interests as a regional hegemonic power. As a result, it has gained in politi-

cal importance in Africa. In addition, it is closely involved in dialogues with other anchor countries e.g. IBSA,¹ G20²), giving it disproportionate weight (relative to its economic power) in global fora. The strategic partnership between South Africa and India in particular is likely to have considerable influence in the shaping of global governance in the future.³

4. *Intensification of the German business community's engagement in South Africa and expansion of scientific and technological cooperation.* With some 500 businesses settled in the country, Germany is the most important foreign direct investor in South Africa. The environment is considered to be good for business. Although South Africa is able to hold its own in only some aspects of current international research, capacities can be expected to expand sharply in the next few years, making it an even more attractive location for the German research community. Early engagement would make it easier to gain a good position later. Germany is starting from a favourable position since South African research institutions are not (yet) focusing so keenly on British or American partners as in other anchor countries with colonial or long-term political ties.

Particularly in the second and third areas above, a convergence of interests with South Africa cannot be automatically assumed. Supporting regional initiatives in which South Africa is the prominent partner meets with objections from neighbouring countries to its playing a hegemonic role in Africa. Given the “hard” interests that exist in other areas of policy, cooperation in matters of global governance is not proceeding harmoniously, as is particularly evident in the case of trade policy, where Germany, as a member of the EU, is pilloried for its agricultural protectionism.

Despite this, it is in Germany's own enlightened interest to expand and intensify cooperation with South Africa. Although South Africa is not the equal of China and India on a global scale, being a far smaller country, it is already playing a major role as a motor of reform in the African continent and as a mediator between North and South in matters of global governance. It is consolidating this position with a wise foreign policy, which is, for example, seeking to forge close links with other anchor countries. As a partner of Germany, South Africa will therefore become even more important than in the past.

3 Conclusions for future cooperation with African anchor countries

The European Commission is currently working on a “Strategic Partnership” with South Africa. By stepping up the political dialogue, it intends to combine existing cooperative relations and align them more strategically. The aim is that relations between the EU and South Africa should be characterized by “*more coherence, clear objectives, and a shared forward-looking political vision*” (Commission of the European Communities 2006, 2). There are signs of similar efforts being made by the German government. What might this mean?

1 India, Brazil, South Africa.

2 South Africa is a member both of the G20 trading group and of the group of the finance ministers of the G8 and the most important developing countries.

3 See also Biallas / Knauer (2006).

A more differentiated approach must be adopted to the countries of sub-Saharan Africa in German foreign relations. This concerns both the substance of cooperation and the instruments used. While the instruments of development cooperation should be used in least developed countries (LDCs), with due regard for the current international standards (the Paris Declaration, which defines principles for development cooperation between donors and partners), relations with anchor countries must be widened and deepened so that an attractive offer for cooperation may be made. Technical and financial assistance in development cooperation should be linked more closely to instruments of scientific and technological cooperation, like the ones we use today primarily with industrialized countries. In this the German research (and business) community's own interests may certainly play a part; that is even expected by a self-confident partner. To view anchor countries solely through "aid spectacles" would be to fail to take them seriously as strategic partners in the shaping of regional and global governance policies.

This will necessitate internal adjustments in the shaping of German foreign relations. The division of competences, budget resources and instruments among various government departments, which must first learn to coordinate their activities more closely, will enable advantages to be gained from the division of labour, but make a strategic overview more difficult. The Foreign Office should play its role of coordinator more actively than in the past and also organize the dialogue on the form to be taken by the strategic partnership. For this a good instrument exists in principle in the German-South African Binational Commission, which is chaired by the Foreign Ministers of the two countries. Hitherto, however, the Commission has not seen it as its task to network the various actors at the operational level and has instead concentrated on bilateral dialogues between the respective line ministries. A vision of cooperation with African anchor countries that removes the barriers raised by departmental thinking is hardly discernible at present.

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China and India: new donors in Africa

Thomas Fues

1 China's and India's interest in Africa

Africa's development prospects and its international bargaining position have changed appreciably in recent years with the robust entry of new partners, especially China and India. It is primarily China's wide-ranging offers of cooperation that are presenting the continent with attractive additions – and, in certain cases, alternatives – to its relations with western industrialized countries. The Chinese Africa summit in Beijing (November 2006), at which 48 African countries were represented, 40 of them by their heads of state or government, marks the high point so far in a partnership that is developing extremely dynamically. China's interest in Africa has long since gone beyond the desire for secure supplies of energy sources and raw materials and one-dimensional, mercantilist intentions. The People's Republic of China is instead pursuing a multi-layered, long-term strategy of deepening Sino-African relations, which embraces not only trade but also low-interest loans, direct investment and joint ventures, infrastructure projects, development projects and political cooperation, culture and tourism. A feature of the Chinese approach is its focus on the expansion of bilateral links, to which the multilateral-continental dimension takes second place. At the Africa summit China committed itself to doubling its current development assistance to the continent by 2009, and thus earlier than the G8's commitment at Gleneagles (2005) to a 100 % increase in aid to Africa by 2010. China has, moreover, given notice to Africa of its intention to take practical steps to increase debt relief, trade and direct investment.

The positive response in many parts of Africa to China's presence is also due to the fact that in its foreign policy it adheres strictly to the principle of non-interference in partner countries' internal affairs – on the basis of the "Five Principles of Peaceful Co-existence" drawn up in 1954. China has been unyielding in its one-China position, which opposes the diplomatic recognition of Taiwan. While African and western critics complain that the absence of conditionality undermines efforts to achieve transparency, good governance, democracy and respect for human rights, their opponents refer to the primacy of general development, poverty reduction and national sovereignty over political goals. The fact is that western pressure on countries guilty of human rights violations and democratic deficits, such as Sudan, Zimbabwe and Angola, is being counteracted by China's unconditional aid.

China has still largely to keep its promise to cooperate more closely with regional organizations. Although the Beijing summit strengthened the frame of reference for Chinese foreign policy and Africa's collective self-perception in relation to China, it is still unclear how in the long term China intends to treat the efforts of the African Union (AU) and the New Partnership for Africa's Development (NEPAD) to promote good governance and to restrict sovereignty in the event of serious human rights violations. Its attitude towards the African Peer Review Mechanism could become a test of how seriously it intends to show solidarity by supporting regional initiatives.

As regards the environmental and social impact of Chinese direct investment and infrastructure projects, there are growing fears that international standards could be totally ig-

nored by China, especially as there is no critical public in the People's Republic. Although China has signed the Paris Declaration on the effectiveness of international development cooperation, evidently from a recipient's perspective, it plays no part in the efforts of the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) to achieve harmonization. This also means that it does not provide any information on the volume, focal areas and instruments of its donor programmes. Worth noting, on the other hand, are China's initial attempts to cooperate with the DAC and, at partner country level, in Kenya and Tanzania.

India, too, has noticeably expanded its relations with Africa in recent times, but at a level well below China's engagement. With similar motives to China's and sometimes in open rivalry with its East Asian neighbour, India's goals are long-term supplies of raw materials and energy, markets, direct investment and political influence. As its main sectoral strengths lie in the areas of generic pharmaceutical products and information and communications technologies, it is not competing directly with Chinese interests. The Africa summit in Beijing fanned the debate in India on how to counteract its own marginalization in the African continent. Compared to China, India is adopting a more multilateral approach by signing economic treaties with such (sub)regional organizations as NEPAD, the Southern African Development Community (SADC) and the Economic Community of West African States (ECOWAS). As the world's largest democracy, India finds itself in harmony with the declared societal values of the AU and NEPAD, but agrees with China's position on absolute sovereignty. Seen as a whole, India's development cooperation does not conform to DAC standards, especially with regard to its own interest in aid-tying and gaining national prestige. Cooperation with western donors in the DAC context is still very much in its infancy.

2 Challenges for the OECD world

One of the main issues for Germany, the EU and the whole OECD world is to integrate China and India into the process of donor harmonization, programme financing and aid-tying on the basis of the Paris Declaration – particularly in the context of cooperation with Africa. Neither country has yet shown much inclination to integrate fully into DAC procedures. In certain cases, China has been willing to cooperate, as when a Chinese observer was involved in the DAC Peer Review of British development cooperation and China participated in the DAC's dialogue with development cooperation officials from non-member countries. There is also the question of how compliance with international standards and rules can be ensured in China's and India's external relations with Africa in order to improve the continent's long-term development prospects. This applies *inter alia* to environmental and social standards in the infrastructure sphere and in the production of raw materials and to procedures for the promotion of good governance by the Extractive Industries Transparency Initiative (EITI), for instance. Furthermore, bilateral political contacts increasingly take place in competition with other actors. Initiatives taken to improve effectiveness and to achieve closer alignment with the partner's interests in keeping with the Paris Declaration on Aid Effectiveness are also becoming more significant in this light.

3 Conclusions for the German G8 and EU Council Presidencies

The EU and G8 Presidencies provide the German government with a number of opportunities to focus attention on the rapid growth in China's and India's presence in Africa and to launch forward-looking initiatives. A priority concern in this context is to show both countries the advantages of and need for a profound donor dialogue on the best way to support African development priorities and to achieve the MDGs by the deadline. The German government must, however, prepare itself for the possibility of China and India not accepting the DAC as a suitable international forum for the exchange of experience and for coordination. For this likely case Berlin should concentrate on supporting the current reform efforts in the UN Economic and Social Council (ECOSOC). The biennial Development Cooperation Forum introduced by the international community at the Millennium+5 summit in 2005 and arranged by ECOSOC could be developed into a suitable platform for the whole donor community. The understanding reached with the new donors should be institutionally enshrined in this forum. Existing substantive differences with China and India in development cooperation programmes with third countries, especially in the areas of good governance, democratization and human rights, should be the focus of a constructive development dialogue in which the legitimate objectives of China's and India's foreign policies are recognized.

The annual ECOSOC review of progress towards MDG achievement is another opportunity for closer interaction among donors in Africa. Here the German government should refer favourably to Asian successes in combating poverty, and specifically to the reduction in the number of the absolute poor in China by 400 million over a period of 25 years, and give China and India the opportunity to use their experience in Africa in a way that is appropriate to conditions there. China's experience in agricultural technology (irrigated farming and rice-growing), which might help to increase harvests substantially in Africa, is considered exemplary. The progress it has made in the fight against malaria might also show Africa how to pursue a more effective health policy.

Another focal issue for the German EU and G8 Presidencies might be to seek dialogue with China and India on ways to strengthen and reform the multilateral development agencies, especially those of the UN system. Within the multilaterally oriented Utstein Group, of which Belgium, Canada, Denmark, Finland, the Netherlands, Norway, Sweden, Switzerland and the United Kingdom as well as Germany are members, Berlin has long advocated an increase in the effectiveness of the UN development sphere. The report submitted in early November 2006 by a high-level advisory group set up by the then UN Secretary-General Kofi Annan on system-wide coherence sets out numerous recommendations for reforms, which have so far found little approval with the G77/China. The German government could suggest to China and India that they together tackle the reform of the UN development agencies in order to avert the looming danger of Africa's failure to achieve the MDGs.

As regards Africa's development prospects and other critical global governance challenges (environment, security, world trade, etc.), a deepening of institutionalized cooperation between the G8 and the anchor countries, particularly China and India, is to be recommended. The offer of cooperation should comprise more than the usual invitation extended to these countries to a dialogue on the fringes of the summit, an invitation that is to be issued again in 2007. The long-term goal should be the full integration of important an-

chor countries into the summit architecture, as has already been done at finance minister and central bank governor level in the G20 (Finance) context. Possible models are already being widely discussed by the international public: the former Canadian prime minister, Paul Martin, has proposed, for example, a modified group of heads of state or government, known as the “L20+” by analogy with the G20 (Finance). The German government should use the G8 Presidency to arrange practical steps towards a structural enlargement of the summit meetings. It should be borne in mind in this context that the informal meeting of the most influential countries in North and South must not be allowed to undermine the universally recognized role of the United Nations in global policy.

While China is acting as the promoter of growth in Africa, it is also feared that it is undermining attempts to improve governance in the continent. The main aim should thus be to use Chinese investment in Africa productively and sustainably to promote African good governance initiatives. It would therefore be appropriate for Germany to launch an initiative to sound out the possibilities for trilateral cooperation between Europe, China or India and Africa. A possibility might arise, for example, in such NEPAD areas of policy as agriculture, as already envisaged in the new EU-China strategy. Another might be their association with the EU’s infrastructure initiative in Africa or its water initiative. China and India should also be encouraged to participate in further donor rounds in African countries. Here Germany, together with other EU Member States, can play a promoting role and perhaps bilaterally prepare the ground for a dialogue, which should then eventually be continued by the EU with the “new actors” at the country level; EU Council Presidencies have scope for initiatives which should be actively exploited.

It is evident not least from China’s active summit diplomacy in Africa (China-Africa summit in November 2006) that high-level political contacts with Africa are for Europe an important, but in recent years neglected element. Bilateral visits to Africa undertaken by German President Köhler or line ministers would therefore send out significant political signals. It will also be important to prepare the way for the EU-Africa summit that has been pending since 2003.

Africa from a global governance perspective

Dirk Messner

The playing field on which global governance takes place is undergoing a sustained change. The dominant debate since September 11, 2001 on the unipolar, US-led system of international politics is gradually giving way to the perception that China's and India's rise as increasingly influential global economic and political actors, the repositioning of Russia as a power in the field of energy and raw materials supply and the growing regional and international importance of such other anchor countries as Brazil and possibly Turkey are creating a new, multipolar power structure, which is changing the dynamics of the global governance architecture fundamentally (Ramo 2004; Müller 2006; Messner 2006). In the analyses of these shifts of power in the global system Africa is, as a rule, mentioned either not at all or only marginally. The following four sketches, on the other hand, show that global governance strategies which largely ignore Africa's role in global policy processes and reduce the view taken of this continent to the question of the achievement of the Millennium Development Goals fall short of what is needed.

1 Africa – crisis-stricken continent, home to some of the world's most serious problems and global governance test bed

Despite the growing dynamics of the growth in many African countries (see Asche and Biallas, Chapter II), the continent will continue to be characterized for the foreseeable future by numerous crises which not only threaten human security in the various societies but will also undermine regional stability and impact on Europe and the international system. The vicious circles of absolute poverty, overstretched and failed states, internal and international conflicts, epidemics, diseases, and migratory movements are more pronounced in Africa than in any other region of the world. Thus, problem situations in Africa are arising having the potential to attain international dimensions and requiring international cooperation if they are to be contained. Africa is therefore a test bed for global governance: many external actors who implement development policy and operate the machinery of international crisis management and prevention are indeed engaged in Africa.

From the experience gained by international actors in wide-ranging activities in Africa three important conclusions can be drawn for the global governance debate:

Firstly, a number of conditions needs to be satisfied by external organizations if their involvement in Africa is to be successful: there must be an appropriate relationship between objectives and financial resources, which is often not the case, e.g. where the financing of peace-keeping troops or reconstruction measures is concerned. Development and security strategies pursued by international actors without any coordination are usually ineffective; the "ad hocism" of the international community in the prevention and management of conflicts in Africa (Sudan today, Congo tomorrow, Somalia the day after) often has the characteristics of a symbolic policy rather than doing what is expected of stabilization strategies geared to the long term. Inadequate governance structures of external actors (too many individual activities, too little coordination, cooperation and division of labour) di-

minish the effectiveness of international crisis management and of development policy. International actors must therefore improve their own ability to take action if they are to be able to make effective global governance contributions.

Secondly, experience in Africa shows that international cooperation can support the dynamics of endogenous development and development-oriented actors in the African countries. Where these endogenous poles do not exist, the range covered by external actors is very limited – often barely extending beyond survival aid. Thus development cannot be exported. From the global governance perspective this means that global governance strategies geared to containing in Africa problems with a potential international impact are dependent on domestic progress in the area of development. Effective global governance thus presupposes at least some domestic governance skills. It was this sobering realization that prompted Robert Cooper in his book *“The Breaking of Nations”* in 2003 to introduce into the debate the idea of long-term “liberal protectorates” of the West in failing countries. This provocation was a criticism of the short-winded engagement of the industrialized countries in the weak countries of Africa, a criticism that should be taken very seriously.

Thirdly, the experience gained in the many cross-border conflicts in Africa reveals that the development of regional governance capacities (within the framework of the African Union, for example) is decisive if cross-border crises in Africa are to be managed. Regional governance is often more legitimate than external intervention. Global and regional governance can complement each other.

2 Climate change is exacerbating development crises in Africa and will change the relationship between Europe and Africa fundamentally

Climate change (see Scholz / Bauer, Chapter IV) will further exacerbate the existing development crises in Africa. The higher the rise in global temperatures, the worse the water and food crises in Africa will be. Climate-induced conflicts may also gain in importance. From the global governance perspective this means that an effective global climate policy is an essential precondition for sustainable poverty reduction and conflict prevention in Africa. German contributions to the development of CO₂-poor energy and production systems in China and India may thus form part of an intelligent Africa policy. Global governance consequently means taking account of interdependences and causal relations in the formulation of policy. The fragmented groups of actors involved in complex external relations in Germany, and in Europe generally, have difficulty coping with such complex interdependences.

Climate change has, however, a further dimension, which is important for the Europe-Africa relationship. The 2006 Stern report shows that the climate change for which the industrialized countries – including, then, the EU Member States – have to answer will cause enormous economic damage not least in Africa. The more visible this destruction and the costs become with the passage of time, the louder will be the understandable demand for compensation. New distribution conflicts will thus occur between Africa and Europe.

3 China in Africa: the poverty-stricken continent as the first arena for trials of strength between old and new world powers in the 21st century

The rise of China and India (see Fues, Chapter V) and their hunger for natural resources and energy are leading to a new race for access to sources of supply, given the industrialized countries' inability to increase their resource and energy efficiency sustainably (Alden 2006; Deutsche Bank Research 2006). There are signs of a renaissance of geopolitics (Humphrey / Messner 2006). The raw materials and energy issue is becoming one of the main points of reference in relations between the USA, China, India and Europe (see Melber, Chapter VI). The animated debate on China's growing interest in Africa and its natural resources is understandable only from this angle. Africa is becoming the first arena for the contests between the old heavyweights of world policy, who fear for their hereditary "rights" and privileges, and the up-and-coming Asian powers, some of whom are pursuing a no-holds-barred policy of securing supplies of raw materials with the aim of maintaining their growth momentum. In these new circumstances Europe must develop a strategy that combines its immediate self-interest in secure supplies of raw materials and energy (which cannot, in any case, be achieved without a drastic increase in energy and natural resource efficiency), its interest in close cooperation with China and India and its interest in compliance with existing global environmental, social and human rights standards. One-sided accusations in this context ("China plunders raw materials," "Beijing backs questionable regimes in countries rich in raw materials") certainly ring hollow in view of the West's policy on raw materials and energy in recent decades. How Germany and Europe respond to the growing importance of China (and soon India, too) in Africa is therefore decisive for the future role of Germany and the EU in the changed global balance of power at the beginning of the 21st century and for the orientation of their own global governance strategy.

4 African actors in global governance processes

Africa is, however, of importance only as a starting point for global problems and as the arena for trials of strength between the major global governance actors. Many global governance processes are, in fact, not very promising without the participation of African actors. A leading role in this context is undoubtedly played by South Africa, which is itself one of the important anchor countries, with regional charisma and growing significance in global policy processes (Draper / Wheeler / Alves 2006). What is particularly interesting is that South Africa has joined with Brazil and India to form a kind of "G3 of the South" with a view to developing joint strategies for global policy processes. From a German and European perspective it is therefore important to see South Africa, along with a number of other African countries, such as Nigeria and Egypt, as relevant actors in international policy. Perhaps even more important, however, after ten years of debate on the prospects for and limits to global governance, is the realization that global policy processes are doomed to eventual failure unless they have the backing of those who have hitherto been hardly involved in them, but have often been directly affected by them (Stiftung Entwicklung und Frieden 2006; Sidiropoulos 2006). Global governance strategies must therefore find answers to the question of how the 53 African countries (and such formations as the G77, G90 and G110) can be appropriately involved in global policy processes. Exclusive global governance concepts, concepts that trust only in the participation of the strong actors,

overlook the basic importance of legitimation as a political resource. Conversely, African countries and societies must ask themselves what patterns of regional cooperation might help to strengthen the continent's role in the global governance architecture. Africa thus faces the difficult task of gradually improving its hitherto rather peripheral position in the world economy and world policy.

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VI Africa Agenda for 2007 – comments and
analyses from an international perspective

Better governance, more growth

Elizabeth Sidiropoulos and Romy Chevallier

1 Background

With less than 2 % of global trade and a similar figure for investment flows, Africa's integration into the global economy is asymmetrical and based on the extractive sector, which boasts very few benefits. Its numerous regional integration initiatives overlap, its economies are not complementary, and it faces substantial supply-side challenges. Significantly, it is not a homogenous unit, but composed of 53 countries, with different resources, abilities, socio-economic profiles, strengths and weaknesses.

Against this background, the key challenges cannot be addressed simply through the provision of more aid, unless the underlying aim is to make the African countries more competitive in the global economy and better governed. Nearly 50 years after Ghana was decolonized, the key deficits in Africa are poor governance and the lack of effective and responsible leadership.

Owing to these deficits, sustainable economic growth and development have eluded many African states. Aid has been a critical source of government revenue for many countries, but its efficacy has not matched the volumes provided. The more recent goal of doubling aid by 2010 in the hope that a "big bang" approach may provide the stimulus that previous aid efforts have failed to provide, is in danger of focusing energy on the amount of money rather than on what it has achieved, and on the sustainability of such efforts. Furthermore, the drive to raise more aid money results in too little attention being paid to the many low-hanging fruit that African states can pick themselves, which may make a substantial difference to effective functioning. In its most recent *Doing Business* report, for example, the World Bank states that Côte d'Ivoire's elimination of a requirement to obtain the urban minister's consent reduced the time taken to register property from 397 to 32 days (World Bank 2006, 2).

The continent's marginalization stems from its lack of economic diversification and poor competitiveness in the products it produces. Reducing marginalization therefore requires a strategy that seeks a fundamental improvement in growth, competitiveness and productive capacity and creates a framework that encourages business in Africa (Herbert 2006). The Millennium Development Goals seek to reduce poverty and create greater equity, but they are less focused on how to unleash the productive capacity of economies. In the race to reach a minimum of primary education or access to health (both very important), we run the risk of forgetting the bigger picture. This bigger picture consists of the necessary supply-side aspects of investment that can directly boost growth and jobs and thus create more resources for social programmes in the future. Equally, this can only take place in an effective institutional and regulatory environment.

Some of the underlying characteristics of African economies make the challenges difficult (Grobelaar 2006, 33–34):

- The small size of individual markets both in terms of the number of consumers and the low level of disposable income: the size of an average sub-Saharan African econ-

omy (excluding South Africa and Nigeria) is about US\$ 3.6 billion, equal to the economic scale of a typical American town with a population of 60,000 inhabitants. This means that the development of industries needs to be placed within the context of export promotion rather than import substitution.

- *The dominance of the informal sector:* informal trading and subsistence agriculture form the backbone of most African economies. While informal activities are important livelihood-coping strategies, they do not contribute sufficiently to the growth of the economic pie. The development of the formal sector thus remains a key challenge for governments throughout the region.
- *The neglect of the private sector since independence:* in sub-Saharan Africa in particular, private-sector development is in its infancy compared to other developing regions, such as Asia and Latin America.

Over the last several years, greater political stability, democracy and accountability, and improving governance in many African states have created new political and economic dynamics, which have lessened impunity and arbitrariness and helped to address the commercial constraints hampering development and growth. Much of this is reflected in the debates being conducted in the context of the New Partnership for Africa's Development and the African Peer Review Mechanism, which focuses on political, economic and corporate governance, and of the African Union. This means that Africa is no longer an operating environment in which anything goes, although there continue to be weak governance zones. Civil society has also become more vocal on matters of political, economic and corporate governance.

Below we outline two key areas linked to governance and economic growth which could make a significant difference and which the dual German Presidencies might emphasize.

2 Governance and the APRM

Better governance is a prerequisite for more sustainable and equitable growth that generates development for all citizens. Good governance includes the government's capacity to manage its economic and social resources effectively, to design and implement sound policies and broad regulatory frameworks indicating the way actors, such as businesses, should operate, to promote economic efficiency through fair rules and to curtail corruption and malpractice in the public and private sectors.

Many African states have increasingly come to realize that externally generated panaceas are not the answer on their own. Change must come from within and must be owned and managed by Africans themselves.

The African Peer Review Mechanism, which grew out of the NEPAD vision, is a voluntary process to which 26 African countries have so far acceded. The process of assessment in the four key areas of governance – political, economic and corporate governance and socio-economic development – is as valuable as the potential outcome. Meant to be an inclusive process which also draws in all elements of civil society, it can serve as a useful forum for generating a national debate and, ideally, a national consensus on a plan of action to address some of the shortcomings identified by the peer review. While there is a tendency for governments to want to whitewash the process, the opening that is provided

for civil society creates opportunities for engagement in governance issues in the longer term.

Improvement in the governance climate in the long term is the one sure way of creating societies that grow and improve people's livelihoods. The success of this depends, however, on the extent to which these initiatives are internalized and home-grown. It is still too early to determine whether the APRM has been successful as an initiative, but its value lies in its ownership by Africans.

3 Infrastructure: the tool for unlocking growth

While generating economic growth and development depends on a number of factors, more infrastructure links across the regions would go a long way towards improving the business environment and deepening regional integration – a key objective of the AU and the EU. Infrastructure is one of the key priorities of NEPAD for the reasons cited above. In Africa transport costs are among the highest in the world. Landlocked countries' transport costs can account for as much as 77 % of the value of exports. Only 30 % of Africa's more than two million kilometres of road is paved, and maintenance of existing infrastructure is very poor. UNECA noted in 2006 that, despite the importance of the Trans-African Highway, which countries were expected to integrate into their national investment programmes, only 16 % had completed links within their borders (UNECA 2006, 12, 74).

Implementation of the NEPAD Short-term Action Plan for Infrastructure (STAP) has been slow, partly owing to difficulties with financing, synergies between public and private sectors and the capacities of regional economic communities. Furthermore, the STAP list is extensive, and some attempt has already been made to identify key priority projects.

While the STAP identifies major infrastructure projects, there are also areas that can be addressed fairly quickly and without requiring large amounts of capital, such as the allocation of resources to the repair and maintenance of existing roads and railways.

In all of these areas the participation of the private sector (both African and foreign) is crucial.

In addition to the building and maintenance of the "hardware", the liberalization of such core infrastructure services as transport, finance, energy and telecommunications would benefit all economies hugely. Transport costs, for example, are estimated to account for about 30 to 40 % of the total value of goods sold within southern Africa and represent the main constraint on general competitiveness (Khumalo 2006, 17). Rail costs are about five times higher than those in developed countries.

Transit facilitation and documentation and procedures along major transport corridors are also in need of improvement (Khumalo 2006, 12). Indeed, transport and trade facilitation mechanisms account for the majority of non-tariff barriers.

If the overall cost of doing business in the region is to be reduced, the emphasis needs to be placed on the following:

- increasing private-sector participation in air and rail transport, both of which are currently dominated by state-owned enterprises;
- streamlining border permit and administrative requirements at frontiers;
- developing strong, but manageable regulatory frameworks to prevent anti-competitive and monopolistic practices and also to underpin the liberalization of financial services; improving telecommunications.

Under the auspices of the Southern African Transport and Communications Commission, for example, a number of reforms are under way, aimed at increasing private-sector participation in both road infrastructure and management and at attracting investment.

4 Current challenges in a new political environment

The two areas highlighted above – governance and infrastructure for economic growth – must be placed in the broader framework of the new strategic landscape in Africa. The landscape is different, and traditional alliances are changing. The political dynamics are shifting, and the commercial environment, while better in many respects than 10 or 20 years ago, is becoming more competitive. Understanding the context in which political and economic decisions are taken both by governments and by companies is critical.

Firstly, the presence of non-traditional economic (and political) actors in Africa has increased in the last few years. They are pre-eminently China and India, but also South Africa, and increasingly Brazil and Russia. The most significant of these is, of course, China, which has deepened its involvement in Africa not only because of its need for natural resources to drive its own developmental trajectory, but equally because Africa is still relatively unsaturated in terms of marketing opportunities. Africa is thus becoming a useful arena for new Chinese multinationals and smaller companies wishing to cut their teeth in the international environment.

The entry of China (and India) is having both direct and indirect impacts on various stakeholders, as well as both complementary and competitive effects on African economies. In China's case there is a very clear linking of political and economic considerations in its investments and its engagements with African elites. The Chinese way of doing business, which may be very different from that of western and South African multinationals, is equally appealing and often quite competitive. However, to date, Chinese companies have preferred to deal with countries bilaterally, and while they have undertaken numerous infrastructure projects, they have avoided regional ones and multilateral financing.

China's "big-country" effect and its possible deleterious implications not only for other less competitive players, but also for the governance environment can be seen as a catalyst for much-needed structural reforms within African economies and for the identification of niche products/markets, which in turn provides opportunities for investment. However, China's entry has altered the rules of the game, creating room for manoeuvre for African states disinclined to implement politically difficult reforms proposed by western institutions or unwilling to lose the benefits accruing from less transparent procedures. This clearly has implications for the way in which northern donors plan their interaction with Africa in the future.

Secondly, the commodity boom fuelled by the Asian Drivers, with their different approach to African governments, has led to renewed assertiveness, at least rhetorically, at the level of leadership in many African countries. This poses challenges for traditional partners – both governments and the private sector. It also has the unfortunate consequence of delaying the critical structural and institutional reforms that are needed if African countries are to be integrated more symmetrically into the global economy: perhaps less so in South Africa, Nigeria, Ghana, Botswana and Tanzania, but decidedly so in Sudan and Angola, i.e. the impact may be somewhat differentiated.

Thirdly, the emergence of “drivers” or “pivotal” states in Africa (the good performers who also display regional leadership) has created opportunities for harnessing their capacity and encouraging their leadership to form partnerships that can develop markets and drive regional integration. This presents potentially exciting opportunities, especially in eastern and southern Africa, where Kenya and South Africa can become economic drivers/cores.

5 Conclusions for the German G8 and EU Presidencies

A host of analyses and commitments for Africa have been developed at consecutive G8 summits. Perhaps the underlying challenge for the North is to stop seeing Africa as a charity and rather as a market full of opportunities – as China has done. To maximize this, Germany can, during its Presidencies of the G8 and the EU, identify a few priority areas that can make the difference.

If we are to look at proposals for improving governance and stimulating growth in Africa, there are clearly two priorities that Germany should seek to promote during 2007.

The first is to help African civil society to be more *effective in participating in the peer review processes* in their individual countries, and yet to undertake to assist states that have undergone a peer review with the implementation of the plan of action they have developed.¹

More specifically, provision should be made to support not only the continental institutions carrying out the APRM but also the states involved. Each participating country has to fund the actual public participation process and the cost of hosting the 15 to 20-person APRM review team for three weeks. Thus, in effect, most of the cost of the APRM is incurred at national level. Countries often try to scrimp and cut corners on public consultation and use tight time-frames to reduce costs. Making it easy for them to fund a rigorous self-assessment process would be helpful. A key issue, for example, is adequate funding for surveys of experts and members of the public.

The strength of the whole process depends on the involvement of civil society; however, civil society has shown itself to be weak and has had difficulty organizing its thoughts in coherent written submissions. Nor has it had the funding and forethought to make effective plans for lobbying the government, the APRM Governing Council and the visiting

1 The comments on APRM are drawn from discussions with Ross Herbert, Governance and APRM programme head at SAIIA.

APRM review teams. To succeed in gaining commitments to reform, civil society must be active and signal to government that it takes the process seriously and demands a fair and transparent process. This calls for organizational skills and funding.

While it is important for the APRM to remain African-owned and implemented, the EU and other donors could begin signalling that their long-term intention is to shift resources to countries that are making progress in improving governance and economic management. Even more constructive would be the use of APRM action plans as a basis for prioritizing aid programmes.

In a related vein, *political dialogue*, especially on sensitive issues, must be prioritized. The Zimbabwe impasse, which has been a key stumbling block to the holding of the Europe-Africa Summit, needs to be overcome. The holding of such a summit at long last is important in the context of the priority that Europe has given to its relations with Africa through the EU-Africa Strategy.

The second priority is to be instrumental in *mobilizing support for some of the continental infrastructure projects*. This is already covered by the EU Infrastructure Fund launched in 2006, but it is critical that Germany should drive implementation forward during 2007.

The German Presidency should develop concrete deliverables and timelines in conjunction with the AU and NEPAD for progress on the various infrastructure projects and also seek to encourage European business to participate in these projects.

The constituency with which the EU must seek to engage more frequently on substantive matters is, in fact, the business community in Africa – an objective of the newly established EU-Africa Business Forum. The German EU Presidency should indeed encourage a link between the Business Forum and the EU-Africa troika meetings, as this will provide an opportunity for dialogue with an important actor in Africa's development, but one which is often not integrated and brought into discussions where it may be able to make a valuable contribution. This could also be a useful tool for building up the private sector and the capacity of business chambers in Africa.

The African private sector should also be seen as a partner rather than a recipient of charity or largesse. African private-sector entrepreneurs have often said that they do not want "favours" from Europe or the USA, but rather to engage in exchanges and conclude agreements that are mutually beneficial. After all, an Africa growing at 8 to 10 % a year offers tremendous opportunities for expanding markets in services and manufacturing, for example.

Lastly, in view of the changed geopolitical landscape, consideration should be given to *the establishment of a trilateral dialogue between China, the EU and Africa*: as China increases its influence in the African continent, it is important that the EU should seek to identify areas of collaboration with it. The EU, African states and China could also explore partnerships in such areas as public health and infrastructure development. In this regard, Germany may wish to spearhead a dialogue among the three partners on matters of common interest in Africa.

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The new scramble for Africa's natural resources

Henning Melber

It is by no means new for the African continent to have its human and other natural riches plundered. Anyone who considers globalization to be a modern phenomenon should look back at least to the times of the slave trade in Africa's case. Although the forms of unequal exchange have changed since then, the beneficiaries of the still externally oriented value transfer have remained largely the same. The sovereign states of Africa are characterized by the structural burdens they have inherited and the shortcomings of externally oriented development, in which only a few domestic – and mostly parasitic – elites participate. Seen in this light, some of the recent imploring analyses of the aggressive Africa policy being pursued by the People's Republic of China – a policy that forms part of a new race to secure the continent's natural resources – seem hypocritical rather than seriously concerned about Africa's well-being – more concerned, in fact, about the well-being of rivals. What is going on under this expansionist strategy is not so new after all.

1 Africa after the bipolar world order

The collapse of the Soviet Union, and thus the end of over forty years of two blocs confronting each other, was in no way the “end of history” (Francis Fukuyama), but it did mark the beginning of a new order of the global hegemonic structures, with far-reaching consequences for African governments. In the middle of the “Cold War” they lost the space for manoeuvre that had assured them of – relatively speaking – more advantageous strategic positions. As a rule, this merely helped the ruling elite to enrich themselves in a situation of sinecure-capitalism. Many examples from A for Angola to Z for Zaire show that the bipolar world order was in no way conducive to “development from below”, but instrumental for ruling African elites as satellites in the East-West conflict.

The consolidation of US dominance during the 1990s led to clearing measures in several respects. A strategy of appeasement resulted in the final processes of southern Africa's decolonization. At the same time, the discourse among the international financial institutions on economic policy acquired the sole power of definition, and the World Trade Organization (WTO) set about negotiating global trade relations definitively and comprehensively. In this, the shots are usually called by the powerful members of the OECD (Organisation for Economic Cooperation and Development) and especially the club of G8 members, who, as is becoming increasingly clear, lay down the biased rules of the global governance game.

2 Intra-African attempts at a new order: NEPAD and AU

This was accompanied by major processes of change within Africa. With democratically elected governments, the two economic giants in the southern and western parts of the continent, South Africa and Nigeria, left their pariah status behind them and grew into internationally accepted regional hegemonic states. As the new millennium began, Thabo

Mbeki and Olusegun Obasanjo, in cooperation with Senegal, Algeria and Egypt, prepared, in direct dialogue with the western industrialized countries, to play their part as junior partners in establishing a new form of interaction, with due regard for the socio-economic premises of development applied by the WTO and IFIs (international financial institutions). The result was the New Partnership for Africa's Development (NEPAD), which, after a period of incubation (and a process of political negotiation) was promoted, or downgraded, to become the official economic policy instrument of the African Union (AU). The latter, in turn, was a transformation of the Organization for African Unity (OAU) (for NEPAD and the AU see Kössler / Melber 2003; Melber 2002 and 2004). With its conversion, it bade farewell – virtually in return for the domestication of NEPAD – to the sacred principle of non-interference in the internal affairs of member countries.

A policy of collective responsibility was included in the AU constitution and has by no means been without its consequences. Thus there have since been a number of intra-continental interventions approved or initiated by the organs of the African community, which have attempted with varying degrees of success to alleviate conflicts and legitimize regimes. The African Peer Review Mechanism (APRM) (see Grimm, Chapter III) conceived by NEPAD and greeted with high hopes from without as well as within has hardly lived up to its original promise. (Fombad / Kebonang 2006). At least a possible link between the postulates of good governance that have been articulated and the growing number of peaceful and constitutional handovers of power in African countries can be assumed (see Southall / Melber 2006) – notwithstanding numerous other cases which should protect against excessive euphoria over such achievements.

With much premature praise heaped upon them, the NEPAD architects secured substantial support for themselves from the G8 at its meeting in Genoa. This led to the G8's Africa Action Plan, adopted at Kananaskis, and to the relatively special treatment which the African representatives have enjoyed at subsequent summits (although over the years they have been increasingly sidelined and, at the meetings in the USA and Russia, were again reduced to marginal figures).

3 New multipolar tendencies and the competition to secure African natural resources

Systematic new “market penetration offensives” in the African continent are discernible no later than 2000 with the passing of the African Growth and Opportunity Act (AGOA) under the Clinton Administration. The USA thus underlined the importance of Africa in trade terms (still more important than Eastern Europe at that time). However, AGOA also made it clear that, with the exception of a number of small niches (e.g. temporary promotion of an allegedly local, but in fact externally financed and exploited textile industry), the main concerns were technology, the export of high-value machines and securing imports of oil and other strategic raw materials.

With its attempts to rearrange relations with the ACP countries after the signing of the Cotonou Agreement, the EU also set about negotiating WTO compatibility in the form of Economic Partnership Agreements (EPAs), which helps to protect the EU's own interests and imposes new trade constraints on the ACP countries, accompanied by the sometimes

extensive loss of tariff preferences. The continuing negotiations reveal that the ideas in Brussels are, in some cases, meeting with little approval.

The two initiatives reflect the need to establish fairer trade relations less than the desire to secure market access, not least in a spirit of self-interest (see Melber 2005). The wrangling over special free trade agreements with South Africa – undoubtedly the most interesting partner in sub-Saharan Africa, if security of oil supplies is disregarded for the moment – can be seen as further proof of major conflicts of interests between the two western industrial blocs being fought out or finding expression in Africa.

With the recent clear evidence of China's expansionist strategy, another rival has emerged to secure, in particular, fossil energy sources and markets for its cheap products. This has led to numerous analyses and assessments, in which, interestingly, the European and North American initiatives are now rarely mentioned. In India, Russia and Brazil, further competitors are lining up for the limited access to markets and natural resources, not only in the African continent but there, too. What consequences and perhaps opportunities this will have from the African perspective remains to be seen for the time being. The gloomy predictions from the West, at any rate, are no doubt focused less on the threat to African interests than to its own.

4 Increased dependence or more room for manoeuvre?

The global attempts at liberalization in the WTO context increasingly raise the question whether markets and producers, primarily in the so-called developing countries of the South, are a match for the challenge posed by free competition with the industrialized countries or whether they need continued protection. A careful examination shows this is to put the question wrongly. In fact, it has so far been the markets of the industrially developed OECD countries which have unilaterally favoured their own products by means of a protectionist policy in the form of subsidization and so turned any form of fair market and trade relations into an illusion.

Advocates of the liberalization of trade relations are contributing to the misconception that liberalization means the same as the deregulation of trade relations. In fact, the trend is rather the other way round: the supposedly liberal global trade structure has never been so firmly established or hedged around with so many restrictive clauses. In the past 15 years the number of bi- and multilateral trade agreements concluded has quadrupled to a total of about 230. A further 60 or so are currently being negotiated. Including the latter, there are thus at present approximately twice as many trade agreements as there are countries participating in world trade. Quite apart from the various control mechanisms (such as phyto-sanitary requirements) introduced at the same time, which are easily abused to bring pressure to bear.

Societies which have historically been at a structural disadvantage should, however, at least be given a chance to advance socio-economically by their own efforts. This will require the creation of an environment in which protectionism is seen as a legitimate survival strategy for strengthening domestic producers and markets. This may lead to the creation of conditions that enable people both in the industrialized countries and in the countries of Africa to benefit from trade relations. The considerable widening of the range

of potential partners with China, India, Brazil and Russia and a number of other “newly industrializing countries” cannot harm Africa’s interests. The new room for manoeuvre should, however, never again be abused for the further expansion of transnational elites.

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How to punch above one's weight: ideas for the German G8 and EU Council Presidencies

*Stefan G. Koeberle*¹

What steps does that a medium-sized European power take as it prepares to improve the world a little? Through skilful diplomacy and constancy the country manages to punch above its weight and, despite initial resistance, to gain acceptance for decisive changes to its development policy. By holding the presidencies of the G8 and EU and drawing on excellent analyses provided by its civil servants, the government enjoys the prestige that enables it to demonstrate strong political will. Its most senior representatives close ranks and fully support an agenda that accommodates hot-button issues urged on civil society pressure groups and so help to bring about a consensus on crucial development issues.

Is this a reference to Germany, which, by holding the Presidency of both the G8 and the European Union, has a unique opportunity in 2007 to exercise a lasting influence on the destiny of developing countries? That remains to be seen. But in fact it was the United Kingdom which set a splendid example of how to win friends, influence other powers and turn the wheel of history by pushing through a considerable increase in development aid and significant debt relief. Among the decisive factors for this success were not only the demonstrations and Live 8 concerts, but the unity of the government's leadership, its insistent pursuit of pragmatic solutions, the use of intelligent argumentation and skilful manoeuvring of public opinion. If Germany wants to achieve a more lasting legacy during its Council Presidency than the usual summit communiqués, it can take a leaf out of the UK's book. A number of initiatives lend themselves to such an agenda

1 Leading opinion on a vital issue

Rather than losing itself in a tangle of shallow and perhaps not particularly sustainable initiatives, the German Council Presidency might dwell from first to last on a single vital issue of global importance and challenge the other EU and G8 members to take practical decisions. Such an agenda should have the support of all leading government representatives, whatever their department. Global climate change suggests itself as one of the most promising and pressing issues (see Scholz / Bauer, Chapter IV). Rarely before has there been such a genuine opportunity for a wide-ranging initiative of global importance: for one thing, the report by the British government adviser Sir Nicholas Stern has already provided the analytic foundations for the impending economic consequences of climate change (Stern 2006); for another, more than many other countries, Germany enjoys particular credibility in this field, since the promotion of renewable energies and energy efficiency in developing countries has long been one of the main focal areas of its development policy. Germany may well gain the support of civil society and claim the position of global opinion-leader when it comes to making every effort to stem climate change – which, according to Sir Nicholas's report, is economically more favourable than paying

1 The author is Director, Latin American Region, at the World Bank. This essay reflects only his personal views.

for potential disastrous damage later. The German Council Presidency might also urge other G8 members to act together to prevent the loss of natural forests, not least because of their importance with respect to global emissions. They could facilitate the access of developing countries to the Clean Development Mechanism (CDM) for reducing CO₂, provide resources to reduce the emission of carbon dioxide and other greenhouse gases and promote the use of renewable rather than fossil energy sources in developing countries. The strongest expression of such joint engagement would, of course, be to implement the recommendations set out in the Stern report through a suitably financed G8 trust fund to finance global climate protection in developing countries in combination with appropriate market mechanisms.

2 Doing more to help shape multilateralism

International organizations are important actors in development cooperation not only because they have a wide membership, political neutrality, capital and know-how to fall back on, but also because no other forum is able to drive the global debate on development policy principles as they do. The World Bank in particular has repeatedly been instrumental in setting international standards for economic, social and environmental policy and adopting development concepts and changes to the development architecture. While this insight is not new, Germany has explored this instrument to only a limited degree. Again, it is primarily the representatives of the British Department for International Development (DFID) who demonstrate how a mere medium-sized development agency is able to exert strategic leverage far greater than Germany's through the skilful deployment of its intellectual and financial resources. The influence that DFID wields in the formulation and shaping of such important issues as Poverty and Social Impact Analysis, conditionality and budget support derives not only from the strong convictions it holds on key policy issues, but is also backed by the secondment and exchange of highly qualified experts who are very familiar with the language, substance and cutting-edge issues of the subject matter. Appropriate multilateralization might help German development cooperation to have a greater impact and to achieve national development goals, although that would probably require long-term changes. In the short term, however, and within the limits imposed by budgetary circumstances, of course, more results-oriented financing of multilateral initiatives might be helpful. Thus Germany might, for example, consider increasing its contribution to the replenishment of the International Development Association (IDA), which is due next year. Over the years, IDA has been establishing itself as an extremely successful instrument, providing efficient, performance-based development financing to the poorest countries in an unparalleled manner – with at least half of the resources being allocated to Africa. Another possibility would be to set up a multilateral trust fund with a specific objective, ideally in cooperation with other European donor countries. Assistance could be focused primarily on activities which are typically not adequately financed or might be undertaken on a larger scale if they were better endowed financially, such as the analysis and strengthening of country capacities for public financial management and procurement (see Leiderer 2005).

3 Cooperation with middle-income and anchor countries

Among bilateral donors, Germany occupies a particularly important position with respect to cooperation with middle-income and anchor countries. While other donors' development aid is primarily aimed at the world's poorest countries, Germany has recognized the key role of this heterogeneous group of countries both for global poverty reduction and for the world economy and future global structural policy (see Wieczorek-Zeul 2005). It has been pointed out for some years that despite their relative level of development such anchor countries as India, Brazil, Nigeria, Argentina and Mexico not only continue to be home to many of the world's poor, but have also become self-confident actors in a global context (see Stamm 2004a). However, because of their success in reducing poverty and improving social indicators, even smaller middle-income countries with an above-average level of development and stable political structures, such as Chile, Costa Rica, Uruguay and Mauritius, can perform a model function for other developing countries that extends beyond their regional significance. Germany does not yet have a coherent concept for addressing these middle-income countries (Stamm 2004b). Nonetheless, development cooperation with them can play a worthwhile role if it is designed and shaped to meet their special needs (see World Bank 2006). This entails, in particular, the use of innovative financial instruments which, despite a smaller proportion of grant funding and the reduced use of official resources, open attractive channels for the resource transfers that are still needed and the policy dialogue associated with them. Above all, however, the exchange of knowledge and experience between industrialized countries and newly industrializing and anchor countries should be promoted through a wide range of partnership and cooperation agreements at various levels, the targeted assignment of highly qualified experts and joint global initiatives (e.g. in the field of environmental protection and renewable energies). Since the role of development policy outside the poorest countries is often questioned, despite its beneficial role, it will be for the German G8 Presidency in particular to emphasize the special importance of continuous engagement in the middle-income countries.

4 Promoting innovative financial instruments and the strengthening of country systems

Both the 2005 Paris Declaration on Aid Effectiveness and the 2002 decision, reaffirmed by the G8 at Gleneagles in 2005, to double official development assistance (ODA), primarily to the benefit of sub-Saharan Africa, called for new and innovative financial instruments to ensure the effective outflow of resources. The aim here is not only donor harmonization and alignment of procedures but also results-oriented management and mutual accountability through the combination of the efficient use of resources with appropriate results by recipient countries. Approaches such as programme-based joint financing and especially budget support have emerged as promising aid modalities. The attractiveness of these approaches lies in their potential advantages: unlike traditional, project-tied development assistance, budget support makes it possible for recipient countries themselves to determine how funds are used, since development resources flow directly into their government budgets and so support broad-based, poverty-oriented reform and sector programmes (see Koeberle / Stavreski / Walliser 2006). In principle, this not only reduces the transaction costs of the development aid to the recipient, but also overcomes the fragmen-

tation of national investment programmes that usually accompanies the traditional project approach. The Paris Declaration also recommends the various donors to strengthen developing countries' own systems (especially those for procurement, public financial management and environmental and social safeguards) and to rely on those systems to a greater extent, rather than follow the practice of creating parallel and often inconsistent structures to implement and monitor their own projects. Some of the original optimism has, however, faded in the meantime, principally because of the opposition of some major donor countries apprehensive about the fair allocation of contracts to their own firms. The role for German development cooperation may thus consist in reviving the debate again, to the benefit of recipient countries. Although Germany has so far avoided adopting clear positions in this respect, it now has the opportunity to complement the leadership role hitherto played by the United Kingdom. A particular German contribution might consist in linking budget support to the systematic strengthening of country systems by means of targeted technical assistance.

5 Advancing the Europeanization of development policy

Anyone who has ever had the privilege of attending a meeting of representatives of the various donor organizations in an aid-dependent country will have noticed that donor coordination is primarily a European issue. In the African countries that can demonstrate some success or formulate a coherent programme, a crowd of benevolent donors jostle each other in their attempt to water the tender, but promising seedling and to fertilize it with their largesse. Europe is represented on the World Bank's Board of Directors by ten of a total of 24 Executive Directors in groups with different voting rights (their combined voting rights easily exceeding their economic strength), yet there is often a perception that their influence does not quite compare to that of the American representative. Although the European Union does not itself have a seat in the multilateral development organizations, it has become a significant donor institution, but one that acts alongside the other donors rather than coordinating them. The Europeans may have taken it upon themselves to pursue a common foreign and security policy, but so far only 20 % of their development funds pass through the European Commission. The majority is still spent on traditional bilateral programmes, which meet the national demands of their budget committees to show the flag – often with aid-tying and using national advisers – but without systematically offering any proof of greater efficiency.

During its Council Presidency Germany might set the course for advancing the Europeanization of development policy. Above all, the EU members might be urged to pool their resources to a greater degree and to have a far larger share flow through the European development budget. This would also entail closer coordination in sharing out the key countries, with due regard for the historical and geographical interests and comparative advantages of the various donor countries. Since 1998 the German Ministry for Economic Cooperation and Development (BMZ) has concentrated its assistance down from 120 developing countries to some 70 key partner countries and partner countries. Without the historical burden of a colonial past, Germany could thus continue to set a good example and focus even more closely on a limited number of developing countries where the resources used can actually make a difference. It would also be wise to advise the new EU members against establishing more bilateral development bureaucracies and to recommend instead a

more European and multilateral orientation. Above all, however, the appointment of a single Executive Director of appropriate intellectual format to the World Bank and the other development banks would be the expression of a coordinated European development policy that wants to be taken seriously. Incidentally, if this step were to be taken, the question of location might well be raised, since the Europeans, as the largest shareholders, would have a legitimate claim to have at least parts of the World Bank moved outside Washington, DC.

6 Improving the external image of the German development policy

There are probably a number of reasons why German development policy has a relatively low international profile. A great deal may be due to long-term structural factors, such as language difficulties, the shielding of German development research from international debates and the absence of close concentration, linkages and the constant exchange of ideas among non-governmental organizations, research institutes and the political level, all of which are to be found in London. But institutional reasons, and especially the confusing fragmentation of the German institutional landscape and a lack of commitment to stick with a few key issues, may have helped to make it quite difficult for the international observer to determine what German development policy actually stands for and who precisely implements it. In some ways, these doubts were taken into account by the BMZ's call for clearer focusing in its country programmes. Yet if there is to be a sharper profile, the institutional reorganization of the German development policy should lead to a branding that outsiders can clearly recognize. The recent proposal to combine the German Society for Technical Cooperation (GTZ) and the development bank, Kreditanstalt für Wiederaufbau (KfW), to form a new German development agency was an important first step. Instead of letting the process grind on for years because of staffing and budgetary objections, a clear political decision to create a decisive, integrated institution with an internationally recognizable brand name (e.g. "German Aid", perhaps even including the Development Ministry itself?) would be a significant symbol to round off the German Council Presidency.

With some political will it would be possible for the focal issues proposed here to be put into effect at the same time: shaping opinions on the central issue of climate change, Europeanization and multilateralization of development policy, cooperation with middle-income and anchor countries, promotion of innovative financial instruments and the strengthening of country systems, and a clearer external image of the German development policy. If the German Council Presidency could concentrate on these issues and demonstrate some success, Germany would indeed advance international development policy in a way that is commensurate with its weight and its significance.

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Germany's G8 and EU Presidencies: a view from London

Verena Fritz

On assuming the G8 and the EU Presidencies in January 2007, the German government will face more than a handful of challenges. Expectations of what Germany should achieve – as one of the traditional ‘motors’ of the European project – will be high. What does this mean for policy initiatives and priorities related to aid and to Africa in particular?

A look at the G8 and EU agendas – where does development rank?

First of all, development aid is likely to rank among the second-tier priorities. At the very top are the revival the EU constitution, energy and the EU's relationship with Russia as an energy supplier, the development of more alternative sources of energy as a way of tackling global warming, the EU's place in a globalizing world (and European competitiveness) and the issue of Turkey's accession to the EU. All of these are pressing European and international issues and, as a key EU member, Germany is expected to move them forward. Moreover, Africa will come into perspective most prominently as a source of migration, which has been posing increasing challenges, and only secondarily as a destination for aid and an area where development policy faces the most serious challenges.

Despite the packed agenda, there are good reasons for paying serious attention to development issues. Germany has sought to play a more active role in world affairs in recent years – and in principle, this more active role also needs to involve a more active stance on development and aid. German soldiers have been stationed in Afghanistan and in the DR Congo. While these new engagements are primarily military, they have drawn increased attention among policy circles and the wider public in Germany to the challenges involved in economic and political development in poor countries.

At the same time, German development assistance has tended to ‘punch below its weight’ – especially when it comes to international development policy debates. In this, Germany contrasts with the United Kingdom, a European bilateral donor country that is most successful at influencing international debates and multilateral institutions. The German institutional trinity of the BMZ (Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung), the GTZ (Deutsche Gesellschaft für technische Zusammenarbeit) and the KfW (Kreditanstalt für Wiederaufbau) tends to fragment efforts and initiatives and to divert attention to internal matters (as also pointed out in the 2005 OECD/DAC peer review report), whereas, in the UK, DFID has managed to pull things together and, on this basis, is able to engage with other policy-makers in the UK and with other actors at European and international level. In short, German development assistance is ‘underdeveloped’ in a number of ways – a fact which has been much lamented over the past ten years, but without there being any substantial change thus far. Even the recent PWC(Pricewaterhouse Coopers)-study on a possible merger of GTZ and KfW falls rather short of a really ambitious and promising plan. Nonetheless, Germany's international development minister is one of the longest serving in the EU, and she can rely on a range of institutions to help shape a substantial development agenda for Germany's dual presidency.

What are the major themes for Africa and development in 2007?

To the extent that there is space on the EU and the G8 agendas for real initiatives on development policy, what are the top priorities from the perspective of African countries and of development challenges in general?

Five issues stand out:

1. implementing a real increase in aid – and holding donor countries to account for delivering on the promises they made in 2005;
2. ensuring that aid is being provided and used (more) effectively – and in particular focusing on greater European coherence where aid is concerned;
3. further improving opportunities and capacity for trade;
4. helping to promote UN reform;
5. bringing China into the international development dialogue.

Each of these issues is important and deserves to be tackled in one way or another – but it would not help to try to make all of them priorities for Germany's G8 Presidency. Germany would probably do better to concentrate on the second and third and possibly the fourth priorities. The first priority is risky for Germany, but it is still sufficiently important to be kept on the agenda. Germany's own aid contribution currently stands at 0.28 % of GDP (Gross Domestic Product). According to existing commitments, its assistance is due to rise to 0.51 % of GDP by 2010, or almost double the current level. Given Germany's fiscal problems – in good part, a legacy of re-unification, but also due to a costly social welfare system – a large increase in aid seems optimistic, even though revenues revived in 2006 and are likely to rise further in 2007 owing to the hefty increase in the VAT (value-added tax) rate. Pushing other donor countries hard to honour their pledges to raise aid levels may be seen as an initiative which could boomerang later. However, Germany may push for other financing initiatives, such as international taxes on air travel, to augment overall aid flows.

The most important priority that Germany can and should pursue is greater European coherence of aid provision and, more generally, of Europe's policies towards Africa. For Africa's development, European policies are key: trade and agricultural subsidies are already largely decided at European level; and both are crucial for development prospects in Africa and poor countries elsewhere. Aid and development policy in general are more mixed: while the European Commission operates its own aid programme, bilateral development assistance still plays a larger role in many respects.

Europeanizing development policy and aid would make them more effective in several respects: first, it would help to reduce transaction costs to recipient countries currently having to deal with ten or more bilateral European aid programmes in addition to the aid provided directly by the EU. Second, European assistance would then be provided on the scale that is needed if it is to have an impact – € 300 million in European aid is different from € 20 million from the Netherlands, € 50 million from Germany, £ 25 million from the UK, € 15 million from Italy, SEK 100 million from Sweden and so on. It would help Europe to have a real voice and also enable it act as a more effective counterbalance to any geopolitically motivated aid from the US on the one hand and more self-interested assistance from China on the other hand. Europeanizing aid would also be a good response

to the even greater fragmentation that is occurring as the EU's new Member States set up their own development programmes. Moreover, this is a priority which chimes with Germany's other goals and commitments to promote the further development of the EU.

There are three main obstacles: one is the variation among European countries – less over general goals than regional priorities, more detailed approaches and their institutional set-up. The second, and possibly most serious, is the habit – and often public endorsement – of “flag planting” and competition among European bilateral aid programmes. Putting German, British, French or Italian flags on hospitals, buses, schoolbooks and other outputs of development assistance is still very popular. In some European countries – Italy, for example – it is even popular to deliver aid by regions: Tuscany, Umbria and Emilia Romagna are all implementing separate aid projects in Bosnia. Flag planting and projectization of aid helps to generate public support for aid: “this is how *we* – Germans, Tuscans, etc. – are helping.” However, it reduces aid effectiveness by creating too many small-scale interventions.

The third obstacle to the greater Europeanization of aid is the inefficiency and inadequacy of the EU as a donor. Although the EU's aid programme is similar to the World Bank's in terms of the level of funding, it does not carry anywhere near the same weight either at international level or in most country settings. The EU has good potential, but it will need some real work to move from the current situation to one of capitalizing on this potential. Elements of its potential include its ability and experience in conducting political dialogue, the fact that it can tap into a wealth of development experience within the (enlarged) EU (while the World Bank may often be seen as overly theoretical and textbook-driven), its geographical proximity to Africa, which makes the continent a “real” neighbour rather than a distant client, and a network of relationships between EU and developing countries (which have, of course, more difficult historical roots; but some of the negative elements of these relationships may be overcome four to six decades after decolonization).

But there are also opportunities: led by Louis Michel as Development Commissioner, the European Commission's development work has assumed a distinct profile. In December 2005, the European Consensus on Development was adopted – by the Commission, the representatives of the Member States' governments and by the European Parliament; this was the first time that a development policy had been raised to this level.

Furthermore, there is a commitment to a major increase in the aid provided by the EU (including all Member States) from € 34 billion in 2004 to € 66 billion in 2010. Even if this goal is likely to be over-optimistic, some significant expansion is bound to take place, making Europe a key source of funding for Africa's development.

Europeanizing development policy will also make it easier to link it to other crucial development issues and priorities in 2007: improving opportunities and capacities for trade and reducing the export of subsidized agricultural products from the EU. As Europe's largest exporter and as one of the main financiers of the EU and therefore of the Common Agricultural Policy (CAP), Germany has real influence when it pushes for change. Fairer trade is already a priority of Germany's development minister; but achieving real change at European level will also require a commitment from other key ministries. The most im-

portant challenge is that reforming the CAP will not be popular while attempts are made to convince the French that they should accept the European constitution after all.

UN reform is an important issue at “global policy” level; but it also matters greatly if the UN is to become a more effective development player on the ground in developing countries around the world. The Report of the High Level Panel on UN Reform, “Delivering as One”, which was published in November 2006, bluntly analyses weaknesses of the current system and sets out a fairly clear and common-sense plan for reform. However, if it is to be implemented, this plan will clearly need all the support it can get. The timing of the report gives Germany an opportunity to promote an important reform at global level in an increasingly interdependent world, and the reform should not be lost in inter-ministerial rivalry over which is to be the lead ministry – development, foreign affairs or finance – or which is to have a say.

Finally, with regard to the fifth priority, China has unmistakably become a major player in Africa and particularly in countries, such as Angola, where it is seeking access to natural resources. While this is regrettable, it has happened, and it is likely to mean that China will remain engaged in Africa for a long time. This presents opportunities as well as posing risks: it may worsen the ‘resource curse’ and lead to the return of more corrupt and more authoritarian governments; but it may also bring some prosperity and major investments in infrastructure, which are urgently needed. Moreover, it may be possible to include China in the consensus that it is needed for the development of universal education and access to basic health care in Africa. This is, after all, something which China has achieved at home in recent decades. However, the dialogue with China on development policy issues is far more likely to have an impact if it is conducted at the level of the EU – rather than separately by the Swedes, French, Dutch, Germans, British, Italians, Irish and so on.

In sum, pushing for more common European policies towards Africa should be the key overarching goal for Germany in 2007. This does not mean calling for the abolition of bilateral aid programmes overnight. But where bilateral programmes continue to exist and to be active, they should be more coordinated in their policy goals and – increasingly – in the way in which they deliver aid.

Using the momentum to build a stronger public discourse on development policies

Beyond this international agenda, Germany’s dual presidency also offers an opportunity to shape perceptions and debates at home, which policy-makers and those seeking to influence policies should seize. Good development cooperation begins at home, and it begins with an interested and well-informed public. Germany does not have an equivalent to the UK’s activist NGO scene when it comes to development issues. Moreover, as in most donor countries, public awareness of development issues and of developing countries is limited. The public face of development is dominated by charity and by organizations that are linked to the Churches (Brot für die Welt, Misericordia and others). As in other northern countries, development policy is frequently discussed in a moralizing way, from wanting to help the poor to condemning exploitative governments and dubious foreign interventions, but often without a deeper understanding of historical legacies and political and social realities.

Official development aid is perceived primarily in bilateral terms – not least because the image of multilateral institutions, especially the International Monetary Fund (IMF) and the World Bank, is rather negative, and awareness of the EU as a development actor is low. German development policy does not face much public criticism: according to a 2004 EU poll, Germans had the highest perception among citizens of all EU Member States of their government helping poor people in the developing world – 90 % of German respondents compared to only 53 % of UK respondents (France: 62 %; Italy: 53 %).¹ At the same time, development aid was perceived as very important by more people in the UK than in Germany, and a substantial proportion of German respondents – 22 % – thought that too much money was already being allocated to development aid.

Parliamentarians and German officials generally like visiting German projects in developing countries – and German development offices abroad are well-oiled machines when it comes to receiving such visitors and showcasing projects and the host country. To the extent that there is any concern about the apparent lack of effectiveness of aid, it is attributed primarily to factors outside the development policy remit: the self-interested policies of major powers, the corrupt governments and conflict-mongering groups which they sustain, and agricultural subsidies in the US, the EU and other rich countries.

Among the interested public and at a more abstract level, development assistance is regarded as a policy that contributes to the achievement of wider goals: promoting international peace, reducing environmental threats and possibly helping to ease migration pressures.

Germany's EU and G8 Presidencies provide an opportunity to raise awareness of international policy issues in general and of development policy in particular. If the international and German aid community seizes this opportunity, it will be possible in 2007 to engage the German public more closely in a debate on how development assistance needs to evolve if it is to become more effective and to have sustainable outcomes and on the kind of coherence that is needed with other policy areas, from trade to migration, to achieve development, poverty reduction and social cohesion. This could in turn help to make Germany a more active international player with regard to important development policy issues – which would be of value beyond the short time-span of Germany's presidencies.

1 The answers to a further question revealed that 68 % of German respondents believed their government's aid was having a real impact, as against only 48 % of UK respondents (France: 50 %; Italy: 47 %).

List of authors

Altenburg, Dr Tilman, economic geographer, research fellow at the German Development Institute since 1995, Head of Department II, Competitiveness and Social Development; e-mail: tilman.altenburg@die-gdi.de

Asche, Dr Helmut was economist for the Africa region at the GTZ in Eschborn until 2005 and is now professor of African politics, economics and society at the University of Leipzig; e-mail: asche@uni-leipzig.de

Bauer, Steffen is a political scientist in the Department for Environmental Policy and Management of Natural Resources of the German Development Institute and acts *inter alia* as a consultant for the Scientific Advisory Committee on Global Climatic Changes (WBGU); e-mail: steffen.bauer@die-gdi.de

Berensmann, Dr Kathrin, has been with the German Development Institute since 2000; Department V, World Economy and Development Financing; area of activities: international financial architecture, debt, monetary policy, financial sector development; e-mail: kathrin.berensmann@die-gdi.de

Biallas, Axel is studying political science at the University of Leipzig, with the emphasis on international relations. He is a student assistant to Professor Helmut Asche at the Institute for African Studies in Leipzig; e-mail: axel-biallas@gmx.de

Brüntrup, Dr. Michael is an agricultural economist and works as a senior research fellow at the German Development Institute in Bonn. His main areas of work at DIE are international agricultural markets, international agricultural trade policy and agricultural policies in Sub Sahara-Africa; e-mail: michael.bruentrup@die-gdi.de

Chevallier, Romy is a researcher at the South African Institute of International Affairs (SAIIA) of the University of Witwatersrand in Johannesburg, South Africa, where her subject is "European Union and Africa"; e-mail: chevallier@saiia.wits.ac.za

Drachenfels, Christian von is a political scientist and has been a student assistant at the German Development Institute since 2005; e-mail: christian.drachenfels@die-gdi.de

Fritz, Verena (PhD) is a political scientist and research fellow in the Poverty and Public Policy group of the Overseas Development Institute (ODI / London); e-mail: v.fritz@odi.org.uk

Fues, Dr Thomas, economist and research fellow at the German Development Institute, Department I (Bi- and Multilateral Development Cooperation), current research focus: United Nations, global governance and anchor countries; e-mail: thomas.fues@die-gdi.de

Grimm, Dr Sven is a political scientist at the German Development Institute. He is concerned with European development cooperation and governance issues in sub-Saharan Africa, with the focus currently on the EU's promotion of governance and the African Peer Review Mechanism (APRM) in Ghana; e-mail: sven.grimm@die-gdi.de

Kielwein, Nina, political scientist, was a research fellow at the German Development Institute when the essay in which she was involved was compiled. Now with InWEnt – Internationale Weiterbildung und Entwicklung gGmbH, she is responsible for the “Managing Global Governance” further training programme being implemented jointly with the DIE; e-mail: nina.kielwein@inwent.org

Klingebiel, Dr Stephan is the Head of the German Development Institute’s Department III, Governance, Statehood and Security. He is also coordinator for sub-Saharan Africa; e-mail: stephan.klingebiel@die-gdi.de

Koeberle, Stefan G. is Director, Latin America Region, at the World Bank; e-mail: skoeberle@worldbank.org

Leiderer, Stefan has been a research fellow at the German Development Institute since 2003. His main areas of activity are public finances in developing countries and new instruments of development cooperation; e-mail: stefan.leiderer@die-gdi.de

Liebig, Dr Klaus is an economist and has been a research fellow at the German Development Institute since 2000. His areas of activity are the world trade order, intellectual property rights and development financing issues. He is also a member of the DIE’s “anchor country team”; e-mail: klaus.liebig@die-gdi.de

Melber, Dr Henning has been Director of the Namibian Economic Policy Research Unit (NEPRU) in Windhoek (1992–2000) and Research Director of the Nordic Africa Institute in Uppsala (2000–2006). He is currently executive director of the Dag Hammarskjöld Foundation in Uppsala; e-mail: henning.melber@dhf.uu.se

Messner, Professor Dirk is a political scientist and has been the Director of the German Development Institute since 2003; e-mail: dirk.messner@die-gdi.de

Neubert, Dr Susanne is an agricultural economist and environmental engineer, she has been at the German Development Institute for ten years and is working on various water issues, especially Integrated Water Resource Management, with the focus on Africa; e-mail: susanne.neubert@die-gdi.de

Scheumann, Dr Waltina is a political scientist, consultant and freelance collaborator at the Technical University of Berlin and has been working in research on water policy in relation to developing countries for ten years, with the focus on water management and institutions; e-mail: scheumann@imup.tu-berlin.de

Scholz, Dr Imme, sociologist, Head of the German Development Institute’s Department IV, Environmental Policy and Management of Natural Resources, received a doctorate from the Free University of Berlin in 1999 and acted for the GTZ as an environmental policy adviser in the Amazon region of Brazil from 1999 to 2002; she is currently working on aspects of climate policy and developing countries and on forest policy; e-mail: imme.scholz@die-gdi.de

Sidiropoulos, Elizabeth is Director of the South African Institute of International Affairs (SAIIA) at the University of Witwatersrand in Johannesburg, South Africa; e-mail: sidiropoulos@saiia.wits.ac.za

Stamm, Dr Andreas is a geographer and has been a research fellow at the German Development Institute since November 1998, working on aspects of private-sector development and technology policy in developing countries. His research and advisory activities are focused on Latin America: e-mail: andreas.stamm@die-gdi.de

Wolff, Dr Peter is a research fellow at the German Development Institute and Head of Department V, World Economy and Development Financing; e-mail: peter.wolff@die-gdi.de

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