WORK PROGRAMME ON POLICY AND POSSIBLE IMPLICATIONS FOR ACTION

A. The policy challenge

The challenge for the Commissioners is to generate effective action which developed countries can take to support African action towards a major acceleration of development. African ownership will be crucial.

B. What factors have limited growth and development in Africa?

Growth and development in Africa have, at best, stagnated over the last three decades. To break from the past it is necessary to understand how this has happened. A number of factors appear to have combined to constrain progress:

- Africa's climate and geography, particularly landlocked non-natural resource economies with high transport costs and vulnerable, semi-arid agriculture;
- limited diversification, leaving Africa largely dependent on economically volatile primary commodities for export;
- negative perceptions by investors, who tend to extrapolate negative media information about any individual country to all of them;
- high levels of indebtedness, which tend to lead to human and capital flight and consequent limited capacity, both physical and human;

- weak governance and lack of accountability or transparency, which can lead to patronage and short-term focus on control of resources rather than delivery of public goods; and
- conflict, which causes instability and hampers growth.

Africa's diversity also means it tends to lack a strong voice in international fora, such as WTO, as no country invests sufficient resources to speak for the region's interests.

Failure to tackle these underlying causes would mean the future would be one of continued stagnation. If Africa is locked in this series of constraints, incremental change will not succeed in accelerating development. A big push across a range of mutually supporting areas, to improve governance, expand trade opportunities, strengthen capacity and human capital and enhance security, will be needed. Coherence of actions towards these ends will be a fundamental part of the analysis.

C. Accelerating development

In order to provide a broad and coherent analytical framework, we have grouped the six themes identified by Commissioners in May (the economy; natural resources; governance; peace and security; investing in people; and culture and participation) into three linked areas: **growth and resources; empowerment and culture,** which includes the ability of poor people to participate effectively in the economy and society; and **governance and institutions,** which underpins both areas and indeed all the themes. Cross-cutting issues will be included across themes. The diagram attached demonstrates the linkages between the different areas and the contribution each makes towards increased living standards. The work programme described below identifies those issues within each group where we think it may be most valuable to focus analytical work.

Progress in all these areas will require increased concessional resources, including grants. Analysis will examine the most viable options for mobilising increased aid in the current context, including use of front loading through the International Finance Facility, and increasing ODA/GNI. It will also consider the terms and modalities of aid, including harmonisation and alignment, predictability and long term delivery of funds, the role and practices of the IFIs and the role of debt relief. Specific recommendations will be made for improving the delivery of aid and concessional assistance to Africa.

Growth and Resources

The Economy: growth and investment

The domestic private sector will be the driver of growth. It is the source of economic opportunities and jobs for the vast majority of poor people, and domestic resources are much larger than actual or potential external resources. Issues for analysis include poor domestic investment climates, the high level of capital flight from Africa, the low level of inter-firm linkages, the overestimated risk perceptions of external investors (partly driven by a view of Africa as a single country), and the low level of inter-regional investment.

In developing policy options, the analysis will explore why the performance of governments in creating the conditions for economic growth and ensuring poor people benefit has varied over the last 25 years: most African countries have performed poorly, but some have had significant periods of success (e.g. Mozambique, Uganda, Ghana). It will explore the implication that a “big push” is needed on a range of complementary fronts to enhance the investment climate and the “quality” of private sector-led growth, including in the area of institutions (including property rights), governance (including effective and predictable economic governance) and productive public investment in health, education and infrastructure. Policy must be tailored to the particular opportunities and challenges facing individual countries, the (small-scale and informal) nature of the private sector and the need to enable poor people and sub-groups of poor people (women, youth) to participate. The paper will set out policy implications for African governments and business, the international community and international business, including with respect to their own responsible business practices.

Natural Resources/agriculture

Natural resources will be an important engine of growth and poverty reduction in Africa. But currently opportunities to maximise the contribution of natural resources and the environment are being missed, and potential reduced, through poor governance and resource degradation. The field is well researched; the main challenge is to bring together existing knowledge and prioritise those sectors that have the potential to unlock economic growth based on Africa's perceived comparative advantage, for example oil/gas, or land and water. Different sectors will be important for different countries. The analysis will look at general themes, such as improving transparency of revenues, better understanding tensions and trade-offs in natural resource management, improving participation in decision-making, institutional strengthening to improve natural resource management and improving social protection for poor people in times of stress.

Agriculture will be key. Existing work will be brought together. It will consider the role of agriculture in accelerating growth and reducing rural poverty. It will take a broader perspective and not focus narrowly on increased yield. It will compare agricultural performance in parts of Asia which have benefited from a "green revolution" with that in sub-Saharan Africa; and will look at barriers to agricultural investment. It will consider how these risks could be mitigated, for example through improved governance, land rights or changes in the financial sector, and examine how to protect the livelihoods of the chronically poor, particularly orphans and vulnerable children. It will consider the appropriate role of the state, other institutions and markets in ensuring that agricultural development delivers pro-poor economic growth. The analysis will also ask how developed country policy makers can take greater account of the potential impacts of their policies.

This analysis will also identify how far future economic growth is vulnerable to environment-related shocks, particularly climate change. Models of climate change suggest that the climate will become more variable with increased incidence of climatic extremes. These can have enormous economic impacts. As Africa is almost exclusively a recipient, not a driver, of climate change, the Commission can have significant impact in generating action by developed countries to strengthen Africa's capacity to cope with these changes. The analysis will address ways to improve information on climate change impacts; strengthening of systems for coping with climate variability and reducing vulnerability, particularly of poor people; and ways to strengthen Africa's voice in future international climate negotiations.

The Economy: Trade

The trade paper will pull together an analysis of current barriers and opportunities, with the aim of developing actions in a number of priority areas. Delivering a Doha trade round that is truly a development round is a major challenge, and one which the Commission will only indirectly be able to influence. The paper will set out the principles for such a round from Africa's perspective, with some recommendations. However, more attention will be given to a few other areas where early progress may be possible.

Much is known and has been written on trade in Africa; the challenge will be to identify key priorities where the Commission can have impact. The first key area will be investigating the potential for an expansion of agricultural trade, through increased diversification and value added, and the potential for a greater shift to manufacturing exports. This will include maximising current market access opportunities, exploring the implications of rules of origin definitions and pernicious use of standards, to create new barriers to exports; the problems of preference erosion and implications, and building on the US Africa Growth and Opportunities Act and the EU Everything but Arms initiative. Enhancing supply side capacity through substantial investments in infrastructure will be key, as will understanding opportunities presented by new markets such as in Asia, or expanding regional economic integration in Africa. The second key area will be in developing approaches to address Africa's reliance on primary commodities, and vulnerability to price volatility and decline. This could include assessing the potential of new international commodity associations, or of increased donor grants triggered by an IMF facility to address trade shocks. Intellectual property rights issues, including impact on health, or on agriculture (e.g. seeds) and in other areas could be explored. Underpinning all of these areas will be actions necessary to ensure that trade works for poor people.

Empowerment and Culture

<u>Investing in People, including service delivery</u>

The progress made through huge investments in human development in the 1970s has failed to be maintained. Long-standing challenges that face countries are well known and exacerbated, for example, by HIV/AIDS. Reducing vulnerabilities, improving health and education are increasingly seen as cost effective investments in future productive and governance capacities of the country. Development partners, regional bodies and governments document a range of reforms and policy options that work in specific contexts. Policies and their implementation may need to vary with the priority objectives and contexts of the country. But it is necessary to distil the principles that achieve and sustain momentum in reforming and enabling environments, and deliver the services that are needed. We will be looking for actions that increase reach, and keep attention on continually improving quality. Areas for focus in this analysis will be:

1) Increasing demand for quality services, improving voice and choice and increasing sustained use of services by the excluded. If we can reach orphans and vulnerable children, women and girls and those people from non-reforming states, the others will be reached too.
2) Capacity and resource management to deliver these services, for example development and distribution of drugs and commodities as well as training, distribution and motivation of personnel.

3) The role of different participants and aid instruments. This will include the voice and leadership of Africans in the development process, harmonisation, aid instruments, resource flows and resource ceilings.

Participation

The needs of poor people are not likely to be met, nor are they likely to be able to share in the growth process, if they are not able to participate in decision-making processes which affect them. Analysis in this section will cover subjects such as how poor people and the most excluded can participate in decision-making processes and have a role in the design and implementation of policy. It will consider what are the key informal institutions which facilitate participation, how effective they are and what steps can be taken to spread best practice. Transparency and frameworks of civic and legal rights/responsibilities will be implicit in this. Analysis will also consider how women and young children participate and the role played by religious communities. In all these areas we will consider how far something new is required, and how far we are primarily aiming to implement best practice.

This work will start at the level of participation by the individual and family, but will also look at local institutions and the level of the state and African participation in international institutions.

Culture

Analysis in this section will look at culture and empowerment in three ways: as a goal in itself; as a method of work and context through which to help solve challenges; and as an asset for development. It will also examine how cultural trends and values in developed countries affect how they regard and engage with Africa.

Analysis in the first area will explore how culture and social norms define and shape the opportunities of poor people, and will consider issues such as cultural obstacles to tackling HIV/AIDS, or how migration in and from Africa, including the contribution of diaspora groups, can be managed to maximise the positive outcomes of the cultural exchange such movements imply. It will also address culture as the context in which Africans and non-Africans (in particular G8 societies) shape aspirations for Africa's future and their role in it. Popular perceptions and the role of the media will feature too.

The second area will consider questions such as how the voices of poor people are heard and understood and issues around data, and how far cultural awareness can be used as a tool to ensure that actions in the developed world contribute to and do not obstruct African development.

The third section of analysis will explore what more needs to be done to ensure planning processes in Africa fully exploit the economic and enterprise potential of cultural assets; and what safeguards are necessary to ensure cultural assets are protected. This will include areas such as strategies for effective management of cultural assets, protection of intellectual property rights, empowerment through new technology, and incomes for poor cultural producers. Existing work by NEPAD, UNESCO and others will be taken fully into account.

Governance and Institutions

Political Governance

Effective and accountable governance is frequently referred to as key to African success. Donors are reluctant to provide aid without some guarantees that transparent and accountable structures are in place; and African institutions themselves recognise the work they have to do. Our recommendations must support these efforts. The Commission's work will need to take account particularly of NEPAD's innovative attempt to assess governance in its Africa Peer Review Mechanism (APRM); and, inter alia, the UNECA Africa Governance Report and World Bank work on assessing successful governance.

Analysis will identify those aspects of governance that have specific resonance in Africa, such as the impact of colonialism, the role of chiefs and other traditional structures, and how frequent conflict undermines institutions. Then the key challenge will be to single out areas where the Commission for Africa can use its political influence to make a difference. Areas which this analysis will consider could include building on the APRM; strengthening effective networks of African intellectuals to facilitate African leadership in developing its own policy thinking; exploring models for continental growth that do not fit within the existing nation state framework; and promoting an effective role for the media.

Economic Governance

Improved economic governance, including improved public financial management, is at the heart of ensuring an efficient and effective use of public, private and donor resources and is key to winning the case for more and better aid, and increased investment. This paper will identify action needed to improve the quality of public financial management and accountability in African countries, increase transparency and improve corporate behaviour and build on current progress.

Efforts to improve international transparency and surveillance, and the use and impact of international codes and standards will be reviewed. This will include identification of action to build on the progress NEPAD is making and, at the international level, to enforce effectively the UN Convention against Corruption, the OECD Convention on Combating Bribery of Foreign Public Officials, and further steps to make progress on combating money laundering and recovery of stolen assets through improved transparency in international banking systems.

Improved transparency and accountability is fundamental. For example, natural resource revenues should be an important engine for economic growth and social development if invested wisely. Transparency in payments and the use of these payments by governments in effective public financial systems is critical. The analysis will identify action to build on existing initiatives such as the EITI, Kimberley Process and G8 initiatives to improve transparency, accountability and economic governance. It will also look at whether processes can be put in place to promote increased competitive tendering for government contracts.

Peace and Security

Conflict presents one of the central obstacles hindering African development. Achieving peace and security is vital to growth and poverty reduction in Africa. This is firmly recognised in the work of both NEPAD and the AU, and there has been considerable progress in recent years in strengthening of regional mechanisms and in addressing individual conflicts. The causes of conflict in Africa, and the constraints upon effective intervention to prevent and stop conflicts and reconstruct following them, are well known. The challenge, both for analysis and consultation, is determining what action the Commission can recommend to address these issues and where it can make the most impact. The analysis will, therefore, need to bring together current thinking on how both developed and African countries' policies and activities interact with conflict and insecurity in Africa and the scope for further action to promote a positive rather than negative impact. It will also need to tap into the current debate around "African solutions for African problems" - the balance of responsibility between African and non-African participants for intervention to prevent or respond to conflicts and what this implies for policy priorities. It will access latest debates on how the allocation and use of aid (humanitarian as well as development assistance), alongside political and military tools, can help address vulnerability to conflict, promote development in insecure situations, and promote post-conflict reconstruction that prevents a renewal of conflict. It also needs to assess what future trends, for example in oil exploitation or migration, might mean for security in Africa and what this might require in terms of new responses.

D. A possible programme for action

Given the vicious circles which have prevented significant progress in Africa, a strong push, focused on key elements for development, will be needed to accelerate growth and development in which poor people can participate. African ownership will be crucial. The report will contain recommendations both for Africa and for those outside Africa, although given the orientation towards the G8 summit there will be special emphasis on what the rich countries can do.

Based on this analysis, which concentrates on tackling factors that have constrained growth and participation of poor people, we might expect to see a programme of linked and mutually supporting actions emerging in the following areas:

Governance

- Aid allocation
- Capacity building
- Corporate behaviour
- Codes and standards
- Accountability
- Transparency, including in the extractive industries (EITI)

Opportunity (Trade and Investment)

- Investment climate

- Infrastructure
- Access to markets
- Diversification
- Commodities

Human Development, Culture and Participation

- Education, including women
- Health and HIV/AIDS
- Provision of services
- Capacity and incentives
- Informal institutions and participation of poor people
- Culture as asset, goal and way of working

Peace and Security

- African/non-African role
- Use of aid, political and military tools

All of these will involve action in Africa and action and resources from outside.

Quality and Quantity of Aid

- Quality - Donor behaviour (including IFIs) and practices
- Debt
- Increasing volume; methods of frontloading including IFF

Recommendations would be targeted at Governments, business and civil society, in Africa and outside.