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THE NEW PARTNERSHIP BETWEEN AFRICA AND ASIA

**SUMMARY REPORT ON
THE DISSEMINATION EVENTS AND THEMATIC SEMINARS**

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SUMMARY REPORT ON THE DISSEMINATION EVENTS AND THEMATIC SEMINARS

1. INTRODUCTION

1.1 In addition to the Ministerial Roundtable and High Level Seminars, dissemination events and other thematic seminars were organized by ECON and in collaboration with various units of the Bank and with other development partners such as the People's Bank of China, China Development Bank, the Japan Bank for International Cooperation (JBIC), the Agence Française de Développement (AFD) and the German Government (DEG/BMZ).

2. ECON DISSEMINATION EVENTS

Lunching of the African Economic Outlook

The launching of the African Economic Outlook (AEO) was chaired by Mme. A. Sayeh, Minister of Finance of Liberia. The speakers were as follows: Mrs. Louka T. Katseli, Director, OECD Development Centre; Mr. Kenneth Ruffing, OECD Development Centre (Water and Sanitation); Mr. Daniel Daco, First Counsellor, Head of the Economic and Financial Section, Delegation of the European Commission, China; and Mr. Louis Kasekende, Chief Economist, AfDB. The presentation was made by Mr. Osei Barfour, Development Research Department, AfDB.

Launching the report, the AfDB Chief Economist, noted that China's economic performance offered hope to African countries that sustained high economic growth rates could be achieved and millions of people could be lifted out of poverty. He said that the continent had experienced the highest economic growth in the last two decades, with the rate of GDP growth averaging about 5 percent annually in the past six years, and is expected to reach 6 percent in 2007. This growth has been more broad-based, with non-oil exporters growing as fast as the oil exporters. Yet accelerated and sustain growth to the level of 7 to 8 percent to be able to achieve the Millennium Development Goal (MDG) of halving the proportion of people living in extreme poverty by 2015 is still needed.

Some challenges were highlighted during the presentation. These challenges relate to net oil importing countries GDP growth and inflation, and imbalances in the global economy. While GDP growth is expected to remain buoyant in 2007 and 2008, inflation running at double-digit levels, mainly due to a more complete pass-through to consumers of oil price increases, and reducing inflation to single-digit levels may have adverse consequences for growth. The GDP growth forecasts in the report are associated with increases in current account deficits that result from sustained higher oil prices even while the boom in non-oil commodity prices appears largely to have run its course. This set of challenges for macroeconomic policy is one of the risks that must be borne in mind in assessing the current economic outlook for Africa. Finally it was noted that should the widening of the large imbalances in the global economy unwind in a disorderly fashion, with sharp sudden movements in exchange rates, there could be a precipitous decline in world output and this could hurt demand for African exports.

2.2 Presentation of the 2007 Africa Competitiveness Report (ACR)

2.2.1 The presentation of the 2007 “Africa Competitiveness Report” (ACR) was presided over by Mme. A. Sayeh, Minister of Finance, Liberia. The presenters were Messrs. Waheed Oshikoya, Director, Development Research Department, AfDB, and Mr. Peter Ondiege, Researcher, Development Research Department, AfDB.

2.2.2 The presentation highlighted the fact that the 2007 ACR, is intended to be a useful tool for African policy makers, the business community and the international donor community. It is grounded on rigorous analytical work. Based on lessons of experience, it brings practical recommendations on how to address the issues highlighted in the report. The report highlights recent competitiveness performance as well as the main issues and challenges that are hindering competitiveness in Africa. The report is structured in 7 chapters and provides country profiles: Assessing Africa’s Competitiveness in a Global Context; The Investment Climate in Africa from the Perspective of Private investors; From Benchmarking to Impact: How Much Does the Investment Climate Matter for Job Creation and Productivity; Competitiveness and Investment Climate in South Africa, Algeria, Nigeria, and Egypt (SANE) Economies; Gender, Entrepreneurship, and Competitiveness in Africa; Competitiveness and Information and Communication Technologies (ICTs) in Africa; and South-South Foreign Direct Investments (FDIs) and its Impact on African Competitiveness.

2.3 Presentation of the International Comparison Program (ICP) results on Consumption and Price Levels in African Countries

2.3.1 The presentation of the first results report on the consumption and price levels in African countries was presided over by Mme. A. Sayeh, Minister of Finance of Liberia. The presenter was Mr. Charles Lufumpa, Director, Statistics Department, AfDB.

2.3.2 The presentation highlighted the fact that this was the first time the Bank and any African institution had taken the lead role in this work. The results were generated from a process that involved extensive monthly price surveys and GDP expenditure data compilation undertaken in 48 African countries over 2 years. The purpose of the ICP is to generate purchasing power parities (PPPs) for cross country comparisons of GDP and related economic aggregates.

2.3.3 The presentation also highlighted the potential uses of the ICP data at the country and international levels.

- *At the Country Level:* PPPs are used for cross country comparison of GDP and related aggregates; for comparing welfare and living standards using the PPP-based US\$1 or US\$2 per day poverty lines; for harmonizing economic policies for convergence and regional integration; and for fostering intra-African trade. PPPs could also be utilized for analysis of comparative advantage and investment/employment policy decisions to improve competitiveness and business environment
- *At the International Level:* PPPs are used for establishing international poverty thresholds using the PPP-based US\$1 or US\$2 per day poverty lines; for constructing the Human Development Index; for comparing per capita health and education expenditures; for comparing the relative sizes of economies and estimating weighted averages of regional growth rates.

3. THEMATIC SEMINARS

Seminar for Governors: The Enhanced Performance Based Allocation and the Debt Sustainability Framework/ Debt Sustainability Analysis

3.1.1 This seminar was chaired by Mr. Goodall Gondwe, Minister of Finance of Malawi, with the following panelists: Mr. Vikram Nehru, Director Economic Policy and Debt Department, The World Bank; Mr. Sudipto Mundle, Advisor, Strategy and Policy Department, Asian Development Bank; Mr. Stefan Emblad, Advisor, Africa Department, The World Bank; and Mr. Philibert Afrika, Director, Operations, Policy, and Compliance Department.

3.1.2 The following were some key concerns and challenges of the PBA system that were considered during the Seminar.

- i. What are the main elements of a simplified PBA formula that achieves the underlying objectives of the enhanced PBA system?
- ii. How would the volatility and the problem of predictability be minimized and/or eliminated?
- iii. How can the double counting of governance in the PBA system be removed?
- iv. Should the weight of the population factor be reduced and to what level?
- v. How could the volatility in the Country Portfolio Performance Rating (CPPR) process be addressed?
- vi. Should the Post Conflict Enhancement Factor (PCEF) be eliminated from the PBA formula and a pool of resources set aside from the ADF replenishment resources to cater for the needs of the Post Conflict Countries (PCCs)?
- vii. How can the free rider issue be reconciled with the need for additional development resources needed to achieve the MDGs in ADF-only countries?

3.1.3 Key recommendations from this seminar included the following:

- i. The need to build other mechanisms to complement the PBA allocation system. Performance would be rewarded, but at the same time some of the fragilities of the system would be recognized and mechanisms put in place to address the specificities of the fragile countries.
- ii A lot of work still has to be done to improve the allocation formula, including addressing such issues as double counting as well as minimizing subjectivity in the assessments. In particular, the need to discuss the results with the concerned countries was deemed critical to enable the countries to appreciate the process used and thus make the results more acceptable.

Development Finance and Sino - Africa Economic Cooperation Forum

This forum was sponsored by the China Development Bank, and co-hosted by the AfDB and the People's Bank of China. It was chaired by Mr. Xiang Junbo, Deputy Governor of the People's Bank of China, with the following members as panelists: Mr. Wei Jianguo,

Vice Minister of Commerce of People's Republic of China; Mr. Gao Jian, Deputy Governor of China Development Bank, Hon. Ezero S. Suruma, Minister of Finance of Uganda; Mr. Victor J.O. Kidiwa, General manager of the Kenyan Development Bank; Mr. Charles Chikaura, Chief Executive Officer, Infrastructure Development, Bank of Zimbabwe, Director of African Region, Barclays Capital; Mr. Colin Coleman, Managing Director of African Region, Goldman Sachs; Mr. Charles Okeahalam, Group Managing Director/CEO, Group AGH, South Africa; Mr. Bobby Jurd, Head of Resources of Barclays/ABSA; and Mr. Mandla Gantsho, Vice President, Operations: Infrastructure, Private Sector, and Regional Integration, AfDB.

The purpose of the forum was to push forward the China-Africa economic cooperation through development financing. The main objectives of the financial forum were to: (i) Promote communication and understanding between development financing institutions in China and those in African countries; (ii) Share practical and successful experience of the development financing institutions in China and African countries; (iii) Seek opportunities for cooperation among development financing institutions; and (iv) Discuss the mode and methods of China-Africa economic cooperation through development financing.

One of the main recommendations from the discussions was that, considering that China is one source from where African countries can attract the much needed foreign direct investment, Africa should, therefore, design strategies to increase private capital inflows. Strategies that could be employed include those centered on trade promotion and finance, provision of pre- and post- shipment finance, project development finance, with financial institutions in China marketing investment opportunities in Africa to their investors, supporting joint venture initiatives – particularly in the areas of mining, infrastructure development, energy and manufacturing. The AfDB can provide the required assistance and capacity in the design and preparation of these strategies.

Africa's Re-Indebtedness Following the HPIC and MDRI Cancellations: Proposals for Better Debt Governance

3.3.1 This seminar was sponsored by the Agence Française de développement (AFD). It was chaired by Ms. Amanda Rowlett, Director, International Finance and Europe Division, Department for International Development, United Kingdom, with the following members as panelists: Mr. Pierre Jacquet, Chief Economist, Agence Française de Développement; Mr. Vikram Nehru, Director, Economic Policy and Debt Dept, The World Bank; Mr. Michael Atingi-Ego, Executive Director, Research and Policy, Bank of Uganda; Mr. Mark Plant, Senior Advisor, Policy Development and Review Dept, International Monetary Fund; and Mr. Louis Kasekende, Chief Economist, AfDB.

3.3.1 The discussions focused on addressing the following concerns:

- i. What is the scope for and role of non-concessional borrowing, including from the export credit agencies and emerging official lenders, and of private sector lending including issuing bonds?
- ii. What complementary policies are required by borrowers to make effective use of foreign finance?
- iii. Debt Management is primarily the responsibility of the borrowing country, but what are the responsibilities of lenders, including the Bank and the Fund?
- iv. What steps should be taken to ensure that borrowing decisions are both fully accountable and legally sound, which will not only help ensure appropriate

borrowing, but should help limit the potential for so called ‘vulture’ funds to take legal action against borrowing countries.

3.3.2 Participants indicated that recent developments provide opportunities for faster progress towards the MDGs but also make maintenance of debt sustainability more challenging. Addressing this challenge will require: i) raising awareness of debt sustainability risks among borrowers and creditors, ii) fostering broader exchange of information between borrowers and creditors, and among creditors, and iii) continued emphasis on concessional finance.

3.3.3 At the end of the session, a joint statement by five bilateral development institutions (AFD, JBIC, KfW Entwicklungsbank, EDCF and NEDA) was presented. It originated from their recognition of the importance to cooperate to prevent another debt crisis and to provide developing countries with adequate and innovative financial instruments. They jointly stated that:

- a. Loans have a positive and important role to play in development finance;
- b. They commit to participate fully in the implementation of a coordinated debt sustainability framework. They welcome the DSF and emphasize the need for a coordinated approach and for ownership by all creditors and debtors; and
- c. They advocate the development of innovative financial instruments that help developing countries face exogenous risks and shocks.

Seminar on Fragile States and the Role of Extractive Industries in Africa

This seminar was chaired by Mr. Timothy Thahane, Minister of Finance of Lesotho, with the following as panelists: Mrs. A. Sayeh, Minister of Finance of Liberia; Mr. Dominic K. Fobih, Minister of Lands, Forestry and Mines, Ghana; Mr. Jonas Moberg, Head of the Secretariat, Extractive Industries Transparency Initiative (EITI); Mr. Ajay Chhibber, Director, Independent Evaluation Group, World Bank; Mr. Paul Jourdan, President and CEO, MINTEK, South Africa; and Ms. Chen Ying, Deputy Director General, China Enterprise Confederation, China.

This seminar focused mainly on African country experiences with resource extraction industries and multilateral efforts aimed at mitigating the fall out of over-reliance on this sector. There is the potential for the “resource curse” associated with the extractive industries. The key issue discussed is how to ensure that substantial resource and revenues are properly accounted for and that they contribute to sustainable development and to poverty reduction. Closely linked to this is the issue of transparency in the way mining royalties are paid and disbursed in the mining communities. It was indicated that, for transparency to be effective in resource management, government, private sector and communities need to work in harmony. Government sets the rules to establish a stable and attractive investment environment, the private sector identifies, minimizes and manages social and environmental risks and adds value so that the resource investments make positive impact on the community and the country whilst the community organizes itself to support natural resource investment initiatives.

The creation of the China-African Business Council for Sustainable Development was presented as one of the concrete measures taken by both the Chinese and their African partners to ensure a ‘win-win’ relationship. The Chinese “1 + 3” program consists of one

large firm and three small firms along its supply chain to establish indicators and investment for sustainable development (for both Chinese and foreign firms).

In conclusion, it was recommended that there was a need to make extractive industries more economically sustainable by diversifying their activities into downstream, side-stream, infrastructural and technological-related sectors. Also that there is a need for a minimum requirement in transparency along the extractive industry supply chain including, producers, processors, wholesalers/retailers, consumers, and government.

Climate Change and the Challenge for Development

This seminar was chaired by Dr. Eugene H. Shannon, Minister of Lands, Mines and Energy of Liberia, with the following as panelists: Mrs. Ann Kajumulo Tibaijuka, Executive Director, UN-Habitat, Kenya; Mrs. Rosebud Kurwijila, Commissioner, Rural Economy & Agriculture, Africa Union, Ethiopia; Mr. Ogunlade R. Davidson, University of Sierra Leone; Mr. Yogesh Vyas, Lead Environmentalist Officer, AfDB.

The theme of the seminar was driven by international community consensus on the fact that increasing emissions of greenhouse gases like carbon dioxide and methane - most of which are linked to the human use of fossil fuels - are causing changes in the global climate systems. Climate change currently poses one of the greatest risks to environmental, social and economic development in both the developed and the developing world and its direct and indirect impacts threaten to reverse decades of development efforts.

The seminar focused on the following:

- a. Issues, challenges and opportunities related to promoting low-carbon development; how to finance it and how to mainstream it in the development assistance and North-South cooperation including technology transfer and carbon trading;
- b. Issues, challenges and opportunities related to climate adaptation. how to support climate risk management, finance and mainstreaming it in development assistance;
- c. The role of Governments, Financial Institutions, Donors and Private Sector;
- d. Bridging the financial gap with existing and/or new financial instruments: the specific challenges.

The following are some recommendations made to the Bank by participants during the discussions, that the Bank should:

- (i) promote power development with emphasis on energy efficiency as well as programs to address desertification and promote afforestation;
- (ii) provide capacity building to RMCs to address and monitor climate change issues;
- (iii) consider creating a climate change adaptation fund and a Clean Development Facility;
- (iv) assist governments in transition to integrate climate change and adaptation issues in their planning processes.

Other general recommendations included the following:

- (i) that Governments should make increased efforts to mainstream climate change adaptation in their national priorities and disaster management plans as well as PRSPs;
- (ii) that there is a need to put specific focus on addressing coastal erosion and beach nourishment (e.g. in Gambia) as well as develop early warning systems;
- (iii) that there is a need to mobilize funds for African Environment Facility; and
- (iv) that there is a need to build capacity to actively participate in the post Kyoto debate and the UNFCCC 13 (Bali) to simplify procedures for Africa to derive greater benefits from carbon trade.

Environmental Considerations for Sustainable Development

This seminar, which was sponsored by the Japanese Bank for International Corporation (JBIC), was chaired by Mr. Kunio Okamura, Director General, Development Assistance Strategy Department, JBIC, Japan, with the following as members of the panel: Mr. Song Tiedong, Deputy Director, Sino-Japan Friendship Center for Environmental Protection (SEPA); Mr. Tae-Dong Park, Executive Director for EDCF, Korea; Mr. Hiroto Arakawa, Japanese Bank for International Cooperation (JIBC); Prof. Kazuhiro Ueta, Kyoto University, Japan; Mr. Ma Zhong, Renmin University, Japan; Mr. Bok Yeong Park, KIEP, Japan; Mr. Nils Tcheyan, Director of Strategy and Operations for the Africa Region, The World Bank; H.E John Benjamin, Minister of Finance, Sierra Leone; and Mr. Philbert Afrika, Director, Operations Policy and Compliance Department, AfDB.

The discussions revolved around the link between environment and development. Desertification, freshwater, biodiversity, urban areas, and forest management were the areas that were highlighted. It was also indicated that African national economies are dependent on agriculture and natural resources that are still at the primary production and processing stages. There is great optimism that Africa can catch up with the rest of the world and even surpass it, using the Great Transitions scenario. However, if this is to be achieved, African countries need, amongst other things, to: i) reduce poverty; ii) improve the state of the environment and improve environmental management systems; iii) reduce vulnerability to adverse environmental changes, particularly natural disasters; iv) promote regional and sub-regional cooperation; v) mobilize additional financial resources; and vi) create an effective institutional structure to holistically manage the environment on a region wide basis.

It was recommended that African governments show greater political will and commitment to resolve environmental problems, and be prepared to devote their own financial and human resources to practical environmental action. They should address the issue of corruption if they are to improve efficiency in the utilization of resources, and be ready to embrace the democratic process for better governance. The international community including the AfDB is urged to support the efforts of the national governments, sub-regional organizations and African Ministerial Conference on Environment (AMCEN), in the spirit of the New Partnership for Africa's Development (NEPAD).

Growth and Responsibility in Africa: Presentation of the German EU/G8 Presidential Program. Panel discussion on Sustainable Private Investment in Africa

This presentation was organized by the German Federal Ministry for Economic Cooperation and Development (DEG, on behalf of BMZ). The session consisted of two interlinked parts: first, a presentation of the German twin EU/G8 presidency with a focus on the G8 pillar “Growth and Responsibility in Africa” presented by the German Governor and Junior Minister in the German Ministry for Economic Cooperation and Development, Karin Kortmann, and second, a panel discussion focusing in particular on the issue of “Sustainable Private Investment in Africa”, which is one of the key demands of Germany’s G8 Agenda. Dr. Winfried Polte, Chairman of the Management Board, DEG acted both as Moderator and panel member. Other panel members were: Dr. Donald Kaberuka, President of the AfDB, Mr. Trevor Manuel, Minister of Finance, Republic of South Africa, and Mr. Chen Ming, Director Asian and African Affairs, Chinese Council for the Promotion of International Trade (CCPIT).

The presenter conveyed the following three main messages, that:

- i. Africa is on the move (improved political and economic environment);
- ii. Achieving the MDGs will have to be based on strong growth performance and hence increased investment, including FDI; and
- iii. Investments need to be sustainable in order to contribute to “shared growth”

The presentation and ensuing discussions centered on the G8–Africa Partnership – development and challenges. It was indicated that, the progress and success of African institutions will crucially depend on sufficient organizational capacities, clear political priorities and member states’ fulfillment of their financial obligations vis-à-vis institutions.