



**HIGH-LEVEL CONFERENCE ON
WATER FOR AGRICULTURE AND ENERGY IN AFRICA:
THE CHALLENGES OF CLIMATE CHANGE**

Sirte, Libyan Arab Jamahiriya
15-17 December 2008

**ROUNDTABLE ON
PARTNERSHIP FOR FINANCING WATER FOR AGRICULTURE
AND ENERGY IN AFRICA**

The Roundtable will be chaired by H.E. Mary Lubega Mutagamba, Minister of Energy and Water in Uganda and facilitated by AfDB. The meeting will start with a brief introduction by FAO on the current investments and projected investment needs in water for agriculture and energy which will give the meeting a clear picture on the current situation in the two sectors (agriculture and energy). The roundtable will then proceed to two main parts. The first part will be presentations from three eminent speakers as follows:

- Presentation on water development for agriculture and the different vehicles including the role of private sector. The presentation will focus on successful examples in the continent including small, medium and large scale developments. A careful attention will be given to public-private partnership (PPP) in irrigation development, alighting on a presentation of the Egypt West Delta Project and how the founding of an enabling environment paves the way to such successful interventions. The presentation would end by proposing a vision on what is needed to open the way to better investment in water development for agriculture and to improve the outputs of these investments. This presentation is to be given by H.E. Dr Mahmoud Abou-Zeid, Minister of Water Resources and Irrigation in Egypt.
- Presentation on water development for energy. The presentation will provide the experience and constraints to this development in different regions of Africa. Specific attention will be given to the associated environmental impacts of large dams and the new advances in hydropower development including in-current turbines. The role of private sector will also be highlighted including PPP and POT. This presentation is to be given by Mr. Jacob Maroga, Chief Executive of the South Africa's power utility ESKOM.
- Presentation on opportunities and constraints of financing water development projects in agriculture and energy. The presentation will provide more details on current financing gaps and the obstacles faced by the African Countries to secure funding for development of their water resources with specific focus on agriculture and energy. The presentation will conclude by putting a set of approaches to improve financing of water development interventions for agriculture and energy and to make financing more effective and efficient. The presentation will also provide some consolidated plan to strengthen the cooperation amongst donors. This presentation is likely to be done by Mr. Aly Abou-Sabaa, Director for Agriculture and Agro-Industry, African Development Bank.

The second part of the roundtable will resume an open discussion on the content and proposals made in the three presentations and will conclude clearly with the way forward.



High-Level Conference on:

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ROUNDTABLE ON
PARTNERSHIP FOR FINANCING WATER FOR
AGRICULTURE AND ENERGY IN AFRICA
“Concept Note”

Rationale

The overall economic and agricultural growth performance has improved among African countries over the last 10 years. The decline in per capita income halted in the middle of the nineties, followed by a third period, the longest period (1994-2005) of sustained positive per capita income growth in the continent since the early seventies. The recent positive changes notwithstanding the current trends in Africa’s economic and agricultural sector performance would need to be accelerated and broadened in order to achieve the desired lower levels of poverty and malnutrition within the timeframe defined under the Millennium Development Goals (MDGs).

Despite this positive growth trends and Africa’s potential, the continent is lagging behind in terms of energy and agricultural productivity, with serious implications for development and trade balance, making Africa more vulnerable to rising/fluctuating food and energy prices.

The growth performance of the agricultural sector over the last 10 years indeed indicates that the required changes to significantly reduce poverty and eliminate malnutrition should be within reach for many African countries. To reach this goal, Africa has a vast potential on water resources for agricultural expansion and renewable energy production that could be exploited. In the continent, it is estimated that less than one-fifth of the physical potential for irrigation has only been developed to date and less than 5 per cent of the African hydropower potential has been exploited. Therefore, there is clearly significant scope for expansion in water control for agriculture and energy.

Agricultural and energy underperformance in Africa is directly linked with underinvestment in both sectors. Although the agriculture sector is the main engine for the economy in most of the African countries, it has consistently received less than 10 percent of the national budget in most countries, yet its contribution to gross domestic output is between 20 and 50 percent for most African countries. In the case of Africa, agricultural spending to total Government spending declined by a third in this period. Moreover, development aid for agriculture dropped from 18% in 1979 to just 2.9% in 2006. Agricultural success stories were hard to come by, and interest shifted to the social sectors.

From 1993 to 2003, international aid for irrigation and drainage, and for hydropower, also declined substantially. The World Bank has practically ceased lending to large new water storage projects in response to the hostility to such schemes, though the decline is less marked, from a much lower base, for the AfDB and AsDB. Based on publicly available data on foreign aid to African agriculture by OECD countries, the share of total overseas development assistance to the sector is shown to have steadily declined (bilateral and multilateral combined) – from a high of about 26 percent in the late 1980s to under 5 percent by 2005. All top six bilateral donors to the region have also witnessed declining shares of aid resources allocated to agriculture directly.

On a positive note, the climate for official aid is now better than for some years, and with the new commitments by a number of major donors, one can look forward to a reversal of the recent downward trend. More impulse should be given to create new commitments to investment in water for agriculture and energy in Africa and a renewed strength should be added to the commitments already agreed upon years before.

What is necessary for African countries to do is to learn from the successes/failures of the last 10 years and undertake the necessary policy and investment measures to accelerate and broaden the growth process. For the foreseeable future and the large majority of African countries, agriculture will remain the most important sector in the battle to reduce poverty and achieve food and nutrition security. Just as African countries have to make greater progress towards meeting the Maputo budget target, development partners will need to increase investment in the sector to help broaden and accelerate the recent economic and agricultural growth recovery process in order to raise the number of countries that will achieve MDG1 and shorten the period for doing so by the others that will miss the 2015 target year.

Recent commitments and pledges

Africa is at the forefront of international water concerns. In 2001 the New Partnership for Africa's Development (NEPAD) was launched. It was to be thereafter endorsed by the African Union, spotlighting African ownership and leadership in tackling the continent's problems. NEPAD supports public-private partnerships as a means of attracting extra finance for such sectors as water. The African Development Bank has been given a particular but shared responsibility for infrastructure, and is closely associated with the development of the African Water Facility as an investment support vehicle and aid to capacity building. The UN Conference on Financing for Development, at Monterrey in 2002, signified a potentially major change of trend in international aid for development, including water. Governments and agencies committed themselves to increasing their aid by 25%, which would raise an extra \$12 or so billion a year. If realised, this would set aid for water on a new trajectory: in 1999–2001 annual average commitments of aid to water supply and sanitation from all sources had fallen to \$3.1 billion, down from \$3.5 billion in 1996–98.

In the Declaration on Agriculture and Food Security in Africa (Maputo, 2003), governments urged themselves to urgently implement the Comprehensive Africa Agriculture Development Programme (CAADP) and flagship projects and evolving Action Plans for agricultural development, at the national, regional and continental levels. To this end, governments agreed to adopt sound policies for agricultural and rural development, and commit themselves to allocating at least 10% of national budgetary resources for their implementation within five years.

In 2004 the Sirte Declaration on the Challenges of Implementing Integrated and Sustainable Development in Agriculture and Water in Africa reaffirmed the Maputo Declaration on Agriculture and Food Security in Africa. The Comprehensive Africa Agriculture Development Programme (CAADP) and the Sirte Declaration on Agriculture and Water are at the heart of efforts by African governments under the AU/NEPAD initiative to accelerate growth and eliminate poverty and hunger among African countries. The main goal of CAADP is to help African countries reach a higher path of economic growth through agricultural-led development which eliminates hunger, reduces poverty and food insecurity, and enables expansion of exports. The CAADP process promotes partnerships and alliances to facilitate the alignment of development efforts by national governments and development partners in order to improve future development outcomes.

In the context of soaring food prices and after the High Level Conference on World Food Security: The Challenges of Climate Change and Bioenergy held in Rome in June 2008, several countries and organizations announced their contributions to help overcome this crisis totalling US\$10.8 billion, which added to the funds pledged at the beginning of the year 2008 gives a sum of US\$22.26 billion. Despite the urgent character of the crisis, the aid provided will not only consider short term solutions, more focused on provision of seeds, fertilizers, animal feed and other inputs, but also medium term and long term solutions such as investment in water control, small scale silos at village level, development or enhancement of research and extension capacities, storage, access to inputs, etc.

So far only 5 countries have achieved the Maputo budget target. Estimates indicate that about a dozen countries have reached or exceeded half of the Maputo budget target, but only a handful have achieved it. Countries, therefore, have a long way to go, in particular taking into consideration the fact that most countries will have to grow by more than 6% in order to achieve MDG1, as indicated by the simulations. Achieving such growth rates not only calls for high levels of expenditures but also greater efficiency in planning and executing these expenditures.

The Roundtable: objectives and structure of the Roundtable:

In the wake of the effort conducted in the context of the implementation of the Sirte 2004/CAADP initiative to build partnerships and alliances amongst private and public donors, dialogue has started between African business community and political leadership through the Corporate Council on Africa (US), the Business Alliance for Africa (UK), the Oslo Conference for African Green Revolution to develop and implement a shared investment and partnership agenda. The AU/NEPAD is also engaging liaison with a number of partners including World Bank, DfID and the AfDB on establishing a consortium of development partners aimed at mobilizing financing for investment programmes on agriculture water.

Development partners have also started investing in the CAADP agenda: a consortium of development partners under the leadership of the World Bank and the Global Environment Facility and facilitated by the NEPAD Secretariat is working under the TerrAfrica Partnership Initiative with regional economic communities and their member states on regional and country level programmes to promote and support mobilization of investment financing for programmes on scaling up of sustainable land and water management practices.

A collaborative agricultural water strategy was recently prepared by five international organizations (World Bank, AfDB, FAO, IFAD and IWMI): "Investment in agricultural water for poverty reduction and economic growth in sub-Saharan Africa" (June 2007). The Strategy responds to NEPAD's desire to operationalize Pillar I (land and water management) of the Comprehensive Africa Agriculture Development Program (CAADP). As a matter of fact, a new partnership was officially launched in Tunis in March 2008 by AfDB, NEPAD, WB and their main partners under the name AgWA: Agricultural Water for Africa.

The roundtable aims at gathering representatives of financial institutions and partnerships as well as representatives of multilateral and bilateral development partners of different African and non African countries.

After the definition of the investment needs and means throughout the Conference and fully recognizing that the scaling-up agenda can only be achieved through a better harmonization of donors' contributions and their alignment with sound strategies and policies at country level, the roundtable will pursue to strengthen the existing partnership agreements and to build the necessary alliances to boost possible investments, raise technical and institutional skills, and improve infrastructure capacities in Africa's agriculture and energy sectors.

More specifically, three main objectives should be strongly pursued by all partnership agreements and aimed at achieving by the Roundtable. These are:

1. The harmonization of partner programmes and approaches is critical to capture synergies, take advantage of complementarities, avoid duplication of efforts and, ultimately, enhance development impact and sustainability of investments. Discussion will concentrate on:
 - Alignment of policy dialogue (groups of donors)
 - Development of programme approach and co-financing
 - Alignment of project implementation arrangements
2. The agricultural and energy water sub-sector have often been troubled by poor performance of investment operations. As a response, several countries have started implementing innovative operations that aim to address some of the past weaknesses. However, limited information and knowledge sharing at the regional and national level amongst national

irrigation professionals restricts knowledge, adoption and scaling up of successful innovations and best practice. Under this respect, the discussion will focus on:

- Strengthening of national and regional I&D associations and networks
 - Enhance quality of information transfer concerning the management of water resources for agriculture and energy
 - Development of exchange programmes and tools (websites, workshops, training programs, portfolio of best practices, etc.)
 - Strengthening of research programmes and research-policy dialogue.
3. The effort to increase and sustain the flow of funds towards water management in the agricultural and energy sectors while enhancing the quality of the interventions. Discussion will concentrate on:
- Formulation of overall water management implementation plans, based on joint options analysis and country/regional priorities
 - Formulation of business plans for agricultural water within partnering institutions
 - Promotion of enhanced policies and action plans at country level

These questions, however, would not be answered right away during the roundtable discussion but a follow up plan should, therefore, put in place to do so.

Questions to answer and proposed programme of the Roundtable:

The Roundtable will address the following questions:

- The actual investment flows: Who invests in what?
- What are the lessons learned in investment in water for agriculture and energy in the past?
- From pledges to action plans: how to reify the commitments made?
- How to make financing more effective and efficient?
- Strengthening the cooperation amongst donors: which way to follow?