

COMMUNIQUE

Conference on Financing for Development: Infrastructure for Growth—the Energy Challenge

1. We, the African Finance and Energy Ministers, development partners, regional and international development financial institutions, UN agencies, State Secretary of the German Federal Ministry for Economic Cooperation and Development, representing the German Presidency of the G8 and the EU, representatives of civil society and the private sector met in Accra, Ghana, for the second Conference on Financing for Development hosted by the Government of the Republic of Ghana from 30 to 31 May 2007. The Conference was organized in collaboration with the African Development Bank Group (AfDB) and the United Nations Economic Commission for Africa (ECA) under the theme “**Infrastructure for Growth—the Energy Challenge.**” The Conference took stock of progress made with regard to the undertakings and commitments made at the Abuja, Singapore and Maputo meetings but the main focus was on feasible options for addressing the financing needs of the energy sector and how to enhance the contribution of this sector to growth and poverty reduction in Africa.
2. The welcome addresses were given by the following speakers: Hon Kwadwo Baah-Wiredu, Minister of Finance & Economic Planning of Ghana; Hon Joseph Adda, Minister of Energy of Ghana; Dr Mandla Gantsho, Vice-President, Infrastructure, Private Sector and Regional Integration of AfDB; and Mr Abdoulie Janneh, UN Under-Secretary General and Executive Secretary of ECA.
3. We thanked the Hon J. H. Mensah, Chairman of the National Development Planning Commission of Ghana, for his keynote address in which he emphasized productivity growth as the key to raising living standards and eradicating poverty. We took note of his call that African countries must take advantage of the opportunities offered by the Gleneagles commitments.
4. We noted with concern that, excluding debt relief, Official Development Assistance (ODA) flows remain stagnant. However, increased flows from emerging creditors are helping African countries to finance pressing development needs. To address the critical problems in the energy sector and to pursue the Millennium Development Goals (MDGs), we recognize that a wider variety of financing sources including concessional funds will need to be accessed.
5. We took note of the special challenges faced by post-conflict and fragile states as well as the need for greater responsiveness to their financing needs.

6. We recognized the importance of sound and transparent public financial management systems for addressing Africa's infrastructure challenges and in this regard, we reiterated our commitments made in Abuja to build such systems. We take note of the "G8 Action Plan on Good Financial Governance in Africa" presented at the Conference.
7. We discussed with respect to financing energy infrastructure for growth in Africa several important issues amongst which are: (a) options for financing Africa's large infrastructure requirements while safeguarding debt sustainability; (b) the need to manage climate change and its impact on our ability to provide energy and achieve the MDGs; (c) the importance of regional integration in the promotion of cross-border trade in energy; (d) promotion of power pools; (e) the need to mainstream energy policies into national development strategies and addressing the issue of inadequate budget allocations to the energy sector; (f) the need for coherence in implementing the commitments of Gleneagles in order to reduce the transactions costs of aid delivery; (g) the need for harmonization in aid delivery on the part of African countries and development partners, both bilateral and multilateral; and (h) the need for a comprehensive approach to the building of human capital.

Stock-taking

8. We took stock of progress made in implementing the programme of action adopted at the first Conference on Financing for Development in Abuja, Nigeria, in 2006. We welcomed the progress made in recent years in the area of debt relief and emphasized the urgent need for the development partners to honour all commitments made to the region as reflected in the Monterrey Consensus, the G8 Africa Action Plan, the Paris Declaration, the G8 Gleneagles Summit and the 2005 World Summit Outcomes. We applaud the efforts that African countries have made in preparing costed ten-year education plans and ambitious macroeconomic frameworks to achieve the MDGs. However, we noted with concern that the implementation of these plans is constrained by inadequate aid flows and the lack of predictability of ODA disbursements. Progress in the reform of aid architecture remains slow. However, there has been some noticeable improvement in the composition of aid.

The energy challenge

9. African countries need high and sustained economic growth to increase the likelihood of achieving the MDGs by the 2015 target date. However, they are constrained in their efforts by an energy crisis. A vigorous response to the challenge of energy infrastructure is essential to sustain and accelerate economic growth. Inadequate supply of modern energy reduces productivity, harms competitiveness, exacerbates gender inequalities, and threatens the achievement of internationally agreed goals, including the MDGs and the priorities of the New Partnership for Africa's Development (NEPAD). For a large number of countries

independent national action will not be enough to bridge the energy gap because of the lumpiness, costliness of energy investments, and the uneven distribution of energy resources. Compounding the high investment costs are rising oil prices, weak regulatory environments, inefficient pricing policy, poor institutional capacity, and an uncondusive environment for private sector participation in the energy sector. Consequently, making the best use of hydropower, natural gas, and other resources will require strengthened regional integration and the building of regional energy infrastructure.

10. We welcome the presentations on “Need for Private Investments in Energy Sector in Africa,” “Meeting Africa’s Financing Challenges: the Private Sectors Role,” and “Underpinnings of Energy Policy in Ghana.” We endorse the need for increased private sector participation in the energy sector in Africa.
11. To address the double challenge of increasing access to energy for the poor and of ensuring the reliable functioning of existing energy infrastructure, we are determined to achieve demonstrable results in the following areas:

Action Points for Governments

- National actions
 - a) Strengthening planning frameworks to take into account energy needs for economic growth and for poverty reduction. Energy will be integrated into national and sectoral development strategies;
 - b) Mobilizing domestic resources, through new financing instruments, appropriate energy pricing and payment mechanisms, and by the creation of opportunities for investment by domestic investors;
 - c) Encourage consumers to make more efficient use of energy through energy pricing, tax incentives, and public awareness programmes;
 - d) Promote the use of local energy resources that both contribute to energy security and the creation of jobs;
 - e) Reforming regulation in the energy sector in view of creating an attractive, enabling environment for private sector participation in the energy sector;
 - f) An accelerated programme of capacity building is of central importance to addressing the energy and infrastructure gaps. In this effort we will aim to increase funding for all levels of education including vocational training, and energy-related scientific cooperation amongst ourselves and our partners. We encourage organizations that fund education programmes to pay particular attention to expanding training of energy experts;
 - g) Improving access of the poor to energy through appropriate pricing policies, distribution and composition of energy supply;
 - h) We shall strengthen our advocacy and presence in the global climate change dialogue.
- Regional actions

- i) We undertake to fast-track current regional initiatives such as the INGA dam project, the regional power pools, and gas pipeline projects. We shall make efforts to strengthen regional institutions such as the Regional Economic Communities (RECs) and NEPAD as the arrow heads of regional action. We will explore the possibility of ceding limited borrowing authority to RECs to implement trans-boundary energy projects.

Action Points for International Partners

- a) International partnerships are necessary for addressing Africa's energy gap. In this regard, we welcome recent initiatives by our development partners to support the scaling up of aid to the energy sector. These initiatives include additional funding for new sources of energy, production of energy raw materials, promotion on energy efficiency and an increase in the number of energy facilities;
- b) Multilateral and bilateral development partners should support our national priorities and development plans for energy, reviewing existing sectoral priorities in their cooperation with us. We urge our development partners to develop new funding instruments and mechanisms for trans-boundary energy projects;
- c) Development partners should assist African countries in bridging the knowledge gap and in building local capacity for adopting low-carbon development strategies in the energy and transport sectors.

Action Points for Private Sector

- a) Financial institutions, including commercial banks, development financial institution, should develop new financing instruments such as infrastructure funds;
- b) Firms in the extractive sector should engage in independent power projects;
- c) The private sector should explore public-private partnership options with the government.

Monitoring implementation

- 12. Effective monitoring of implementation of commitments which includes timely reporting is critical for success. In this regard, it is important for the Conference series to have a permanent secretariat. To this end, we ask AfDB and ECA to work out the modalities for operationalizing the secretariat as a joint venture.
- 13. We continue to urge the G8 and other development partners to treat Africa as a priority.

14. We applaud the United Kingdom Government's decision to release an additional sixty million pounds to the Africa Catalytic Growth Fund of the World Bank. In a similar vein we commend the European Commission for developing new modalities for aid delivery and reconfirming its commitment to reach the ODA targets, increase aid predictability and putting in place a multi-year contracting framework for aid, where conditions allow within the context of a six year MDG planning horizon. We further applaud the European Consensus on development with its focus on improving energy access as a priority area, promotion of regional/interconnection project through the EU Africa Infrastructure Partnership Trust Fund. Finally we commend the AfDB and the World Bank for reiterating their commitment to supporting the energy sector.
15. In his closing remarks, the President of the Republic of Ghana, His Excellency J. A. Kufuor, called on all multilateral organizations, donor and creditor communities and member nations of Africa participating in this conference to go with the spirit of optimism that Africa can succeed; that with the partnership Africa is seeking, it shall succeed and must therefore be supported.
16. The next meeting will be held in Rwanda in 2008.