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Introduction: NEPAD—A New Vision

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What will determine the success of the New Partnership for Africa's Development (NEPAD)? Which policies and measures envisaged under NEPAD need to receive highest priority? Who should be responsible for which task? What can be done to overcome potential risks and to speed up the implementation of action plans? These underlying questions are the themes that reverberate throughout this volume.

Adopted in 2001, NEPAD represents a new vision for the development of Africa. It has three long-term objectives: to eradicate poverty; to place African countries, both individually and collectively, on a path of sustainable growth and development; and to ensure Africa's full integration and active participation in the world economy. It aims at achieving the United Nations Millennium Development Goals for 2015.

This conference volume on NEPAD stems from a high-level seminar held in Dakar during December 9–11, 2002, organized by the IMF Institute in the context of the program of the Joint Africa Institute (JAI). The seminar brought together ministers, governors, and other senior officials from some 20 African countries, as well as donor representatives, academics, and staff from regional and international institutions. This book includes a selection of the papers presented at this conference. The papers focus on the challenges confronting NEPAD in reducing poverty, promoting trade, attracting capital flows, and effecting institutional reforms. Although it is recognized that the achievement of poverty reduction and sustainable development will also depend importantly on peace, security, democracy, and human rights, the focus in

this book is on issues that are closely linked to the core mandate of the International Monetary Fund (IMF).

Opening Remarks—The Challenges

In their opening remarks, Saleh M. Nsouli, Deputy Director of the IMF Institute; Omar Kabbaj, President of the African Development Bank (AfDB); and Abdoulaye Wade, President of the Republic of Senegal, place NEPAD in a wider historical context, review the objectives of NEPAD, and identify the major challenges.

Nsouli argues that although previous continent-wide initiatives have not led to the desired results, there is hope this time for a different outcome. This expectation is based on NEPAD's new building blocks, which are critical for successful reform. According to Nsouli, what is new about NEPAD is the extent of African ownership and leadership of the development agenda. Also new is the wide acceptance that good governance plays a key role in fostering growth and reducing poverty, and the extent of international appreciation for this initiative. Despite the enthusiasm that NEPAD has already attracted, the move from the existing basic framework to an operational blueprint will depend to a large extent on the resolve of the individual countries and the steps that they take, and on appropriate support by the international community.

Kabbaj focuses on the AfDB's approach to NEPAD. While emphasizing that African countries must take charge of their own development process, he acknowledges the decisive role that external assistance will play in Africa's development efforts. Kabbaj reviews AfDB's involvement and explains that AfDB has been committed to providing the requisite technical assistance right from the outset. According to Kabbaj, AfDB has been called upon by African heads of state to play a lead role in two areas, namely, infrastructure development, and banking and financial regulations. The AfDB has also indicated its willingness to contribute to the peer review process. Furthermore, AfDB is working with the Economic Commission for Africa on governance issues. In his assessment, Kabbaj notes that the NEPAD initiative is well suited to facilitate the efforts of African countries to achieve rapid and sustainable development. However, apart from the critical role of the African countries themselves, development institutions—be they national, regional, or international—must strengthen their commitments in favor of NEPAD to provide the necessary assistance.

President Wade begins his remarks with an overview of the objectives and the guiding principles of NEPAD. His subsequent discussion of ongoing initiatives under the NEPAD umbrella provides evidence of

the large momentum that the NEPAD has already achieved. He emphasizes the importance of rapidly bridging the gap between Africa and the industrialized countries, taking into account an appropriate period for the various action plans. In closing, President Wade identifies four critical issues for NEPAD's success: mobilizing development financing, tackling African debt, developing human resources, and fostering public-private partnerships. He argues that the traditional sources of public and private capital flows to Africa need to be augmented and that further analyses of the dynamics of African debt are needed. Also, appropriate incentives should be considered in order to reverse the trend of the flight of intellectual capital from Africa, especially the loss of high-level expertise. Lastly, he emphasizes that Africa should not overlook the trend toward the reorganization of public sector–private sector relationships, as already observed in industrialized countries and in a number of emerging markets, such as Malaysia, Mauritius, and Tunisia.

Overview of Macroeconomic Issues

In Chapter 4, Norbert Funke and Saleh Nsouli begin with a review of Africa's performance during the last decade. They then present a simple framework for evaluating NEPAD. They argue that poverty reduction can be seen as the partnership's overarching objective. Increased growth is a necessary but insufficient condition for tackling poverty. In their view, realizing the targeted average annual growth rate of real GDP of some 7 percent will require unprecedented efforts and sustained implementation of sound macroeconomic policies and structural and institutional reforms. With the help of their framework, Funke and Nsouli identify a number of risks facing NEPAD and point to factors that the authorities will need to take into account to minimize these risks. They emphasize that in moving from vision to action, it remains essential to broaden and deepen discussions with the wider public, to avoid duplication of existing efforts, to strengthen the monitoring of progress, and to clarify further the responsibilities of NEPAD structures.

Reducing Poverty

In Chapter 5, T. N. Srinivasan analyzes the determinants of poverty; discusses mechanisms for eradicating poverty; and looks at the linkages among growth, openness, globalization, and poverty. For analytical purposes, he defines the poor as those lacking resources to acquire what he calls a "poverty bundle of goods and services." He identifies two broad approaches to poverty alleviation: redistributing assets or income, or both, from the

rich to the poor; and raising the returns on the assets of the poor. His analysis shows that redistributive policies, even if beneficial in the short and the long run, are politically difficult to implement. Therefore, it is important to identify and implement appropriate policies that can have a major influence on the socioeconomic-political framework in which the poor make their decisions. Srinivasan concludes that policies that are not linked directly to poverty reduction at first glance may nonetheless be important for improving the situation of the poor. Macroeconomic stability and openness are among these essential policies.

Integration into the World Economy

In Chapter 6, F. O. Ndukwe analyzes how a successful implementation of NEPAD can contribute to enhancing Africa's global competitiveness. A guiding principle of NEPAD is acceleration and deepening of regional and continental economic cooperation and integration. Ndukwe reviews Africa's trade performance and regimes, analyzes the constraints on regional integration and intra-African trade, and gives an overview of recent measures and initiatives to alleviate these constraints. He shows that many African countries have already made substantial progress in trade liberalization, but they need to absorb the progress made so far. Ndukwe's analysis suggests that Africa can achieve better integration by taking several measures. Critical among these are the need for the consistent implementation of sound macroeconomic policies and the rationalization and transformation of African integration blocs into effective, open, and large markets.

In Chapter 7, Elizabeth Asiedu analyzes the critical role of foreign direct investment (FDI). NEPAD's framework indicates that Africa will need to fill an annual resource gap of \$64 billion, equivalent to some 12 percent of the continent's GDP, to achieve the Millennium Development Goals. Although this will require increasing domestic saving, a substantial part of the needed resources will have to come from abroad. Asiedu identifies the major determinants of FDI and examines whether Africa is different. The results show that an absolute improvement in the investment climate in Africa has not been sufficient to attract a large share of global FDI in a highly competitive environment. Although sub-Saharan Africa has improved its infrastructure, liberalized trade, and reformed its institutions, the degree of reform has been mediocre compared with other developing countries. As a consequence, relative to other regions, sub-Saharan Africa has become less attractive for FDI over time. Asiedu concludes that it is not enough only to im-

prove Africa's policy environment in absolute terms; improvements need to be made in relative terms as well.

Economic and Corporate Governance

Soumana Sako emphasizes in Chapter 8 that NEPAD rightly stresses the importance of good governance and a sound institutional framework. He outlines the institutional requirements underpinning the political, economic, and corporate governance initiative of NEPAD as it seeks to tackle some of the key institutional and policy constraints facing Africa. Sako shows that a well-functioning market economy needs to be supported by various types of institutions. His analysis distinguishes among five different types of institutions: property rights, regulatory institutions, institutions for macroeconomic stabilization, institutions for social insurance, and institutions for conflict management. Although all are important, special emphasis needs to be given to ensure the rule of law. Sako concludes his analysis with a set of policy questions and issues and some strategic directions for the development of action plans for institution building.

Clarifying Responsibilities and Identifying Priorities

In Chapter 9, Charles Konan Banny reviews the conceptual framework of NEPAD with regard to the division of responsibilities among three levels: national, regional, and continent-wide. He argues that once NEPAD has been properly implemented at the national level, regional institutions can play a valuable role in advancing NEPAD's objectives. Banny shows that regional institutions can also play an important role in monitoring NEPAD's implementation. According to his assessment, NEPAD will succeed to the degree that the primary stakeholders can exercise self-discipline as well as mutual supervision of macroeconomic policy in the context of clearly codified mechanisms accepted by all. Peer review of performance and policies will help identify, assess, and disseminate best practices and track progress in the attainment of objectives. Based on the experience of his institution, Governor Banny concludes by analyzing how best to design a framework for a peer review of policies.

In Chapter 10, Abdoulaye Bio-Tchané discusses how international financial institutions can contribute to the success of NEPAD. Focusing on the example of the IMF, his analysis highlights how the IMF helps to support NEPAD in at least three areas: the formulation of guidelines for national economic policies, the facilitation of regional—and ultimately

pan-African—integration, and the establishment of a peer review mechanism. Within each theme, he suggests specific roles that the IMF could and should play, as well as some general principles that NEPAD might pursue. With respect to economic policymaking, Bio-Tchané looks at the links among the Poverty Reduction Strategy Papers (PRSPs), the IMF's Poverty Reduction and Growth Facility, capacity building, and NEPAD's objective of poverty reduction. Turning to the potential role of IMF support for NEPAD in the area of regional integration, Bio-Tchané reviews IMF experience of support for the West African Economic and Monetary Union (WAEMU) and its support for the Central African Economic and Monetary Community (CAEMC). He views the African Peer Review Mechanism (APRM) as close to the core of what the IMF has been trying to achieve over its more than 50 years. Therefore, he suggests that NEPAD may wish to adopt some of the consultation and review mechanisms of the IMF, as well as its analytical approach.

In Chapter 11, Isaac Aluko-Olokun reviews important developments in NEPAD's implementation process. He stresses that NEPAD is not an implementing agency. Implementation will be carried out at various levels, but individual countries and their actions constitute the nuclei of all programs and their implementation. He then looks at priorities and identifies crucial actions in a number of areas. Aluko-Olokun recognizes an urgent need to address conflict prevention, resolution, and management issues, including the capacity to undertake peace-support operations, as well as to build early-warning capacity. He also stresses the importance of making the APRM operational quickly in order to address market access issues, to pursue the issue of enhanced debt relief, and to improve the communication of NEPAD, to garner broader and stronger support from the general public. Aluko-Olokun emphasizes that NEPAD does not seek to replace or compete with existing international initiatives and programs, but rather to consciously establish linkages and synergies between NEPAD and existing initiatives.

Summing Up

A striking consensus emerged during the conference. In Chapter 12, Evangelos Calamitsis pulls together the major conference themes. He stresses that NEPAD has attracted worldwide interest and enthusiasm because of its new vision for a better future and its focus on a new partnership between Africa and the international community. He emphasizes that the discussions have shown that African countries and institutions need to redouble their efforts in order to achieve NEPAD's goals of poverty reduction and sustainable development. In the context of

nationally owned development strategies, it remains essential to consolidate sound macroeconomic conditions and strengthen competitiveness, to promote trade and regional economic integration, to foster private investment, to improve health and education, to expand infrastructure facilities and boost rural development, and to enhance capacity building and institutional reforms. Calamitsis observes that the implementation of NEPAD's strategic framework will depend largely on the resolve of individual countries and the steps they take. Every African country will have to design its own development blueprint, consistent with NEPAD's goals. In light of individual country circumstances, this will involve setting more-specific quantitative objectives, improving governance, pursuing requisite macroeconomic policies and structural reforms, strengthening institutional capacity for effective program implementation and integration into the world economy, and transforming partnerships with donors through mutual commitments and accountability. NEPAD provides a unique opportunity for African countries to succeed by taking full control of the development agenda, working more closely together, and cooperating more effectively with the international community.

Since the high-level seminar in late 2002, several steps have been taken to further NEPAD. The organizational structure has been refined and linkages with international partners have been established. Many workshops, meetings, and conferences have been held on NEPAD issues. Progress has been made in identifying priority areas, including in infrastructure and agriculture. Significant progress has also been made in setting up the APRM. In 2003, the APR Panel of Eminent Persons was established to provide oversight to, assist, and help organize the APR process. In February 2004, the APR Forum—the highest decision-making body of the APRM, consisting of participating heads of state and governments—held its first summit meeting, and the first reviews are about to start. Despite important progress, however, experience also shows that setting up an appropriate structure and getting commitment from all countries takes time. As for the APR Forum, only 16 countries had subscribed to the voluntary peer review process.

At the current rate of progress, the Millennium Development Goals are unlikely to be met by 2015, a reality already acknowledged in NEPAD's 2003 progress report. As highlighted in this chapter, many of the challenges that clearly face NEPAD were discussed during the high-level seminar, including the involvement of regional bodies in the implementation of NEPAD, public support and awareness, and continued

assistance from the international community based on demonstrated results. We hope that this book will offer useful insights into this process and help to focus on big policy issues, in particular those that fall within the core areas of the IMF mandate.

The papers in this book underscore the complexities of NEPAD's goals. The analyses show that the objectives of the partnership are ambitious—as they should be. Achieving these objectives will require unprecedented efforts. The discussions make clear that NEPAD provides a framework within which *each* African country will set its own development strategy with a comprehensive program of action that best suits its specific circumstances. The importance of coordinating actions at the regional level is also emphasized, and strong international support will be needed, particularly in the areas of aid, trade, and debt relief. However, such support will not be forthcoming—or it will be much less than needed—if African countries do not deliver on the major commitments embodied in NEPAD's strategic framework. The chapters in this book are an attempt to help deepen this understanding.