

WILL NEPAD STEM THE SOCIAL ECONOMIC DISPARITIES IN AFRICA?

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Abstract

The new Partnership for Africa's Development (NEPAD) is a pledge by African leaders based on a common vision and shared conviction that they have a duty to promote economic growth, encourage strong nations, aim at high living standards and national security. NEPAD is the newest initiative geared towards getting Africa from the social and economic quagmire that is so characteristic of many African nations. The African Union (AU) is set to adopt NEPAD as its economic blueprint for Africa. NEPAD is not the first initiative aimed at improving Africa. Many other initiatives have been formed in previous years with varied results.

Nepad continues to draw a lot of attention across Africa and the world at large, as it is seen as probably the best effort so far at Africa's development. There is anticipation at how much will be achieved under this initiative to which Kenya is a signatory. Whereas it may be early to 'judge' NEPAD there are pertinent issues that arise from the proposals contained in the NEPAD document, which are to be adopted by African countries. This paper therefore examines the various proposals and their application in Africa.

ACRONYMS

ACP-EU	-	African Caribbean Pacific European Union
AU	-	African Union
CEEAC	-	Economic Community of Central African States
CFI	-	Capital Flows Initiative
COMESA	-	Common Market for East and Southern Africa
EAC	-	East Africa Community
ECA	-	Economic Commission for Africa
ECOWAS	-	Economic Community of West African States
FDI	-	Foreign Direct Investment
MAI	-	Market Access Initiative
MAU	-	Maghreb Arab Union
MDGs	-	Millenium Development Goals
NAI	-	New African Initiative
NEPAD	-	New African Partnership for Africa's Development
OAU	-	Organization of African Unity
ODA	-	Official Development Assistance
PTA	-	Preferential Trade Area
RMS	-	Resource Mobilization Strategy
SADC	-	Southern African Development Community
SSA	-	Sub-Sahara Africa
WTO	-	World Trade Organization

Introduction

Regional cooperation and integration have always been high on the political agenda of African leaders. Immediately after the independence era, the SSA countries recognized that in view of the fragmentation and small size of their economies, regional integration and cooperation had to be important components of their development strategies (Global Coalition for Africa). Over the last three decades, a number of experiments in cooperation and integration have been conducted in various sub-regions of Africa. These include the EAC, COMESA, PTA, SADC, CEEAC, ECOWAS, MAU, ACP-EU; organizations which were expected to play the role of prime building blocks for the eventual integration of the whole of the African continent.

However most of these regional bodies have had limited achievements to date, in relation to the human and financial resources deployed. In many cases the most tangible result has been the creation of a secretariat.

Developments in the world today indicate that regional cooperation and integration have not lost any of their attraction. All over the world, the pace of regionalism has accelerated and the world can generally be divided into three trading blocks based on Europe, the Americas and East Asia. In Africa, the signing in 1991 of the Abuja Treaty establishing the Pan-African Economic community inspired the launching of numerous sub-regional initiatives of different types. These efforts have been given impetus with the recent formation of The New Partnership for Africa's Development (NEPAD) which is seen as the way out of Africa's age-old problems.

Background to NEPAD

The mandate for the New African Partnership for Africa's Development (NEPAD) had its genesis at the OAU Extraordinary Summit held in Sirte, Libya during September 1999. The Summit mandated President Mbeki of South Africa and President Bouteflika of Algeria to engage Africa's creditors on the total cancellation of Africa's external debt. Following this, the South Summit of the Non-Aligned Movement and the G-77, held in Havana, Cuba during April 2000, mandated President Mbeki and President Obasanjo of Nigeria to convey the concerns of the South to the G-8 and the Bretton Woods institutions.

Realising the correlation between the two mandates and the fact that debt relief forms but one critical aspect of the overall development agenda for Africa, the OAU Summit held in Togo in July 2000 mandated the three Presidents to engage the developed North with a view to developing a constructive partnership for the regeneration of the Continent. Following from this, the three Presidents raised the issue of a partnership with the leaders of the G-8 at their Summit in Japan during July 2000. The work on developing NEPAD (at that stage referred to as the Millennium Partnership for the African Recovery Programme (MAP)) then began in earnest and a process of engagement on a bilateral and multilateral level was pursued.

During the 5th Extraordinary Summit of the OAU held in Sirte, Libya from 1 to 2 March 2001, President Obasanjo made a presentation on MAP, while President Wade of Senegal who presented the OMEGA Plan. The work being done by the four Presidents, i.e. Presidents Mbeki, Obasanjo, Bouteflika and Wade, was endorsed and it was decided that every effort should be made to integrate all the initiatives being pursued for the recovery and development of Africa, including the ECA's New Global Compact with Africa. In reaching this decision, the Summit recognised the synergy and complementarity that existed between the various initiatives.

An integration process of the various initiatives followed, and on 11 July 2001, NEPAD (or the New African Initiative (NAI) as it was temporarily known at the time), was presented to the OAU Summit of Heads of State and Government in Lusaka, Zambia, providing the vision for Africa, a statement of the problems facing the continent and a Programme of Action to resolve these problems in order to reach the vision. NEPAD was enthusiastically received and unanimously adopted in the form of Declaration 1 (XXXVII) as Africa's principal agenda for development, providing a holistic, comprehensive integrated strategic framework for the socio-economic development of the continent, within the institutional framework of the African Union NEPAD as spelt out in the October 2001 document, is a pledge by African leaders, based on a common vision and a firm and shared conviction, that they have a pressing duty to eradicate poverty and to place their countries, both individually and collectively, on a path of sustainable growth and development and, at the same time, to participate actively in the world economy and body

politic. The programs is anchored on the determination of Africans to extricate themselves and the continent from the malaise of underdevelopment and exclusion in a globalizing world.

The poverty and backwardness of Africa stands in stark contrast to the prosperity of the developed world the NEPAD document further points out that in Africa, 340 million people, or half the population, live on less than US \$ 1 per day. The mortality rate of children under 5 years of age is 140 per 1000, and life expectancy at birth is only 54 years. Only 58 per cent of the population have access to safe water. The rate of illiteracy for people over 15 is 41 per cent. There are only 18 mainline telephones per 1000 people in Africa, compared to 146 for the world as a whole and 567 for high-income countries. NEPAD calls for the reversal of this abnormal situation by changing the relationship that underpins it, by declaring that Africa will no longer allow itself to be conditioned by circumstance. NEPAD's main goal is to eradicate poverty by helping Africa to achieve a path of sustainable growth and development. Specific goals are based on the millenium development goals (MDGs) of the United Nations. The MDGs are as follows:

1. Eradicate extreme poverty and hunger
 - Halve the proportion of people with less than one dollar a day
 - Halve the proportion of people who suffer from hunger
2. Achieve universal primary education
 - Ensure that boys and girls alike complete primary schooling
3. Promote Gender Equality and Empower Women
 - Eliminate gender disparity at all levels of education
4. Reduce child mortality
 - Reduce by two thirds the under-five mortality rate.
5. Improve maternal health
 - Reduce by three quarters the maternal mortality ratio
6. Combat HIV/AIDS, malaria and other diseases
 - Reverse the spread of HIV/AIDS
7. Ensure environmental sustainability
 - Integrate sustainable development into country policies and reverse the loss of Environmental resources
 - Halve the proportion of people without access to clean water and sanitation
8. Develop a global partnership for development
 - Raise official development assistance
 - Expand market access
 - Encourage debt sustainability

In terms of the MDGs, NEPAD does not go very far choosing instead to concentrate on a more specific narrow scope unlike previous measures (Lagos plan of Action) which were too wide thus making implementation rather difficult. NEPAD acknowledges that there are conditions for sustainable development. These conditions would be achieved through the peace, security, democracy and political governance initiatives and the economic and political governance initiative. There are six sectoral priorities set out by NEPAD as follows:

- Bridging the infrastructure gap
- Human resource development initiative
- Agriculture
- The environment initiative
- Culture

Science and technology

To mobilize Africa's rich resources as outlined in paragraph 10 of the NEPAD document a two pronged resource mobilization strategy (RMS) consisting of the capital flows initiative (CFI) and the market access initiative (MAI) would be used. The CFI consists of four target measures:

- Increasing domestic resource mobilization
- Debt relief
- ODA reforms
- Private capital flows

On the other hand the MAI consists of nine target measures;

- Diversification of production
- Agriculture
- Mining
- Manufacturing
- Tourism
- Services
- Promoting the private sector
- Promoting African exports
- Removal of non-tariff barriers.

Africa probably contains many more regional integration and co-operation schemes than any other region in the world. There are various reasons as to why previous initiatives at alleviating Africa's have not had the expected success. According to the global coalition for Africa report the constraints could be summarized as follows:

a) National level

- Lack of political commitment to actually implementing agreed measures.
- Inappropriate economic policies.
- Lack of flexibility in budgetary policy to compensate for losses in tariff revenues.
- Limited participation of the private sector.
- Inability to convince civil society of the benefits.
- Inward-looking development strategies (Import substitution strategies).

b) Regional level

- Over-ambitious objectives.
- Small market sizes.
- Low levels of development.
- Weak transport and communication links.
- Overlapping and inadequate institutional arrangements.
- Differences in the development levels of the countries involved.
- An uncoordinated adjustment of structural adjustment programmes (SAPs).

c) International level

- Lack of co-ordination in donor support.
- Lack of specific instruments in most donor agencies for supporting regional programmes.
- Lack of commitment of some donors to regional objectives (regionalism being seen as a hindrance to multilateralism).

Conceptual Framework

In analysing NEPAD'S proposals a conceptual framework as used by Tandon (2002) can be adapted based on the savings -investment theory. The starting point is equating the nation's income to national expenditure and national savings thus:

Where Y is national income, E_d is national expenditure and S_d is national savings. Equation (1) could be written as:

However this equation does not tell the reality on the ground. Angola, which exports oil and minerals, could end up having no savings at all or negative savings. The millions it earns from the exports could either be used to finance the war or to pay the multinationals involved in oil exploration and mining. The national expenditure can be divided into domestic expenditure and externalized expenditure:

Where E_d is domestic expenditure and E_e is external expenditure. Most African countries have vast amounts of domestic expenditure mainly due to endemic corruption (Goldenberg in Kenya) while the external component is also large due to foreign companies repatriating earnings and payments going to the never ending domestic debt. By including investment equation (1) and (3) become respectively:

By having both domestic investment and foreign investment equation (2.5) becomes

Again both equations (6a) and (6b) do not show the reality. According to Tandon (2002), for a case to be made for foreign investment (FDI) or capital inflow one of the following would have to apply:

- national income Y may be very small
- domestic expenditure E_d may be too high
- there may be a large externalisation of funds E_e
- little or no domestic savings S_d
- little or no domestic investment I_d

Analysis of Sectoral Issues

Other than the CMI other aspects of NEPAD require a critical appraisal. Right from the onset the document claims to be people oriented although the people were not consulted although the invitation is extended in para (53 to56). Questions like who elected the leadership of NEPAD? Where did they get the mandate to monitor the rest of leaders in Africa? Are bound to arise. During the formulation of the document civil societies, trade unions and other bodies representing the interests of the common *mwana* were not consulted. When consultations were done it was with the World Bank, IMF and transnational corporations.

To attract FDIs, Africa will be on its best political behaviour, by spreading democracy backed by a peer review which is to bring to book any nation that deviates from the norm. Questions arise; what is the norm? What are the principles? Who is to judge the deviations from the norm? Participation in the economic and political governance initiatives is a prerequisite for participation in the capital flows initiative, any country that endangers the capital flows initiative (never mind that the capital flows initiative is a flawed idea) be sanctioned by Western countries on the recommendation of the bigger African countries led by the elite leaders (like in Zimbabwe). However it is not a question of 'good leadership' or 'good governance' or one or two top leaders who are incorruptible. The issue is much more profound and subtle than NEPAD makes it out or what NEPAD wants the people of Africa to believe (Tandon 2002). How different is NEPAD from OAU and other well-scripted efforts like the Lagos plan out of action very little can be seen today despite all the good intentions?

The NEPAD document acknowledges that globalization seems to be helping the strong against the weak, so how is it going to stop this scenario of the 'globalizers' versus the 'globalized'. At independence most African countries inherited weak capitalist states, trends that have continued for most of the last three decades. Currently the underterms

of trade not only changing but getting worse due subsidies, unfavourable terms of trade and structural impediments. The latest round of WTO negotiations collapsed yet again.

In defining resource the document uses to explanations for the same word. On one hand resources are seen as physical, natural, human or knowledge assets. On the other hand resources are also defined as money or capital. This double definition brings about ambiguity. Nigeria which is resource rich (oil) somehow finds it annual approximately US\$ 20 billion worth of oil revenues spirited away, so that it has a 'resource gap' that needs to be filled with FDIs as resource 'from out'. It would be easier to plug the whole into which the oil revenues disappear to as a first step. The solution to the oil problem in Nigeria would need a broader approach and not NEPAD's advice on FDIs.

Over the last few years, South Africa, Angola, Nigeria and Mozambique have been receiving the lion's share of the total FDI into Africa. But most of the FDI as noted by Mbaye (2002), has been used to finance investment in the exploitation of natural resources, petroleum and minerals in particular. Private foreign investment in these sectors has merely perpetuated the region's dependence and impoverishment, systematically exploiting its resources without any productive investment, job creation or exports of manufactured goods by way of compensation. The incursion of private capital is likely to accentuate the control of Africa and its natural resources. This would mean making African countries mere Western Offshoots. It is the 'resource inflow' that has led to the 'resource outflow'. By 2015 most of Africa's credit is to come from out as suggested in the NEPAD document, seemingly this put more faith on foreign capital than Africa's people.

NEPAD refuses to question the morality of Africa' foreign debt choosing instead to seek for debt relief beyond the current levels and linking long-term debt to costed poverty reduction outcomes. However according Jubilee campaign perspective on foreign debt, the total debt stock of South countries stood at US\$ 567 billion in 1980. Since then to 2001 US\$3450 billion had been paid in interest and principal; six times the 1980 level. Furthermore, third world debt in 2001 stood at US\$ 2070 billion. In short the debt is irrepayable no matter how many times it is rescheduled. The debt needs to be totally cancelled or a bold defiance at repaying.

Even if all the aforementioned challenges were overcome, one difficulty would still hold. African economies aren't structured and the NEPAD document is set out as the economies were structured. On the other hand, different countries and regions have peculiar needs and properties. This would then call for the NEPAD document to be operationalized and localize for the various countries and regions.

Conclusions

A lot of efforts and energy have gone into making the NEPAD document, I agree with the realization that Africa is in dire need of a way out of the abyss that the continent this far finds itself in. Will NEPAD stem the socio- economic disparities in Africa? The answer is a resounding no.

Africa needs prosperous agricultural and industrial sectors meeting its domestic requirements in food, housing, clothing and manufactured goods and exporting to pay for the imports needed for industrialization. A viable development strategy has to give priority to self-sufficiency in food, increasing the purchasing power of farmers and savings. It must be backed by a regional integration commitment and endeavor, encouraging a transition from small domestic markets to wider markets and dismantling the customs barriers. This cannot be achieved without a development Programme involving protectionism and subsidies (Mbaye 2002). This is not what NEPAD is about, as the AU adopts the NEPAD proposals the African citizens and leaders have to wake up and critically take a look at where the continent is headed.

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