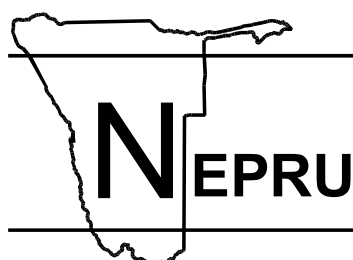


NEPAD and the African 'Resource Gap' - A critical examination

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List of abbreviations

ADB	African Development Bank
AEC	African Economic Community
AGOA	African Growth and Opportunity Act
AIDS	Acquired Immune Deficiency Syndrome
APRM	African Peer Review Mechanism
ANC	African National Congress
AU	African Union
BBC	British Broadcasting Corporation
CAP	Common Agricultural Policy
CET	Common External Tariff
COMESA	Common Market for Eastern and Southern Africa
CSSDCA	Conference on Security, Stability, Development and Cooperation in Africa
DBC	Development Brigade Corporation
DRC	Democratic Republic of Congo
EU-RSA-FTA	European Union-Republic of South Africa-Free Trade Agreement
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GRNL	Global, Regional, National, Local
G8	The Group of eight
HIPC	Heavily Indebted Poor Countries
H.O.D	Head of Department
HSIC	Head of State Implementation Committee
ICT	Information and Communication Technology
IDGs	International Development Goals
KAF	Konrad Adenauer Foundation
LDCs	Least Developed Countries
MAP	The Millennium Partnership for Africa's Recovery Programme
NAI	New African Initiative
NEPAD	The New Partnership for Africa's Development
NEPRU	Namibian Economic Policy Research Unit
ODA	Official Development Assistance

OAU	Organisation of African Unity
RECs	Regional Economic Communities
RISDP	Regional Indicative Strategic Development Plan
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAP	Structural Adjustment Programme
SDR	Special Drawing Rights
SARPN	Southern African Regional Poverty Network
SOEs	State Owned Enterprises
SWOT	Strengths, Weaknesses, Opportunities and Threats
ToT	Terms of Trade
Tralac	Trade Law Centre for Southern Africa
UNCTAD	United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa
USA	United States of America
USD	United States Dollar
US\$	United States Dollar
VAT	Value Added Tax
WTO	World Trade Organisation

1. Introduction

In the post-colonial era there have been several attempts by African leaders to formulate initiatives to boost development on the continent. The most recent of these, spearheaded by three prominent leaders, is the 'New Partnership for Africa's Development' (NEPAD). NEPAD came about as a result of a merger between the Millennium Partnership for Africa's Recovery Programme (MAP) and the Omega plan, which was finalised on the 3rd of July 2001, following the resolution order by the Organisation of African Unity (OAU). From this merger the New African Initiative (NAI) was born, and was approved by OAU Heads of state and the Government Summit on the 11th of July 2001. The NAI policy framework was finalised by the Heads of State Implementation Committee (HSIC) on the 23rd of October 2001, forming the NEPAD.

The development of NEPAD was not based on a 'bottom up' approach, and its implementation depends mostly on the approval of a group of industrialised countries, most notably the Group of Eight (G8). Despite this 'top down' approach, the NEPAD plan should be recognised as a long overdue response to Africa's perpetual underdevelopment and poverty. The feasibility of the NEPAD goals and objectives will be elaborated upon in this paper, with a special focus on what the NEPAD plan has labelled the 'resource gap'.

2. The development of preceding initiatives

2.1. The Pan-African initiative

The first Pan-African conference was held in 1919, organised by an African-American thinker and journalist William Du Bois. The central task was a petition to the Versailles peace conference, then meeting in Paris, and among other things to demand the following:

- For the allies to administer the former German territories in Africa as a condominium on behalf of the Africans who lived there, and
- For Africans to take over the governing of their countries as soon as their development permits, until at some unspecified time in the future, Africa is granted home rule.

Several Pan-African congresses were then held at different places including London, Lisbon, New York and Brussels. These congresses repeated demands for some form of self-rule, abolition of the white minority domination in Kenya, Rhodesia (Zimbabwe) and South Africa, the development of Africa for Africans, and so on. The fifth Pan-African congress was held in Manchester (UK) in 1945. 90 delegates attended the congress, of whom 26 were from Africa. These included Peter

Abrahams for the African National Congress (ANC), and a number of men who were to become leaders in their countries, such as Kwame Nkrumah (Ghana), Jomo Kenyatta (Kenya), Kamuzu Banda (Malawi) and Obafemi Awolowo (Nigeria). Many resolutions were passed at this congress, including one calling for racial discrimination to be made a criminal offence. The congress won the reputation of a pace-setter for decolonisation in Africa and in the British West Indies. It demanded an end to colonial rule, imperialism and racial discrimination, whilst maintaining a broad struggle for human rights and equality of economic opportunity.¹

Kwame Nkrumah was the driving force behind Pan-Africanism, building on the ideas of William du Bois and Marcus Garvey of the United States, and George Padmore of Trinidad & Tobago. To compare NEPAD to Pan African Ideology, Pan Africanism is more about unifying all Africans (or all previously marginalised people around the world) on economic, political and social grounds, while NEPAD targets those countries which comply with the requirements of good political and economic governance, respect for the rule of law and social responsibility, in order to integrate them more closely with the rest of the world.

There have been already several calls for this kind of initiative, both by Africans and various international bodies. By 1998, the United Nations Economic Commission for Africa (UNECA) as well as the African Development Bank (ADB) and the United Nations Conference on Trade and Development (UNCTAD) had committed themselves to the need for an Economic Renaissance for the continent. This has led to African leaders drawing up plans such as the Omega Plan and the MAP.

2.2. The OMEGA Plan

The OMEGA Plan was an initiative the implementation of which was envisaged for September 2001, though this didn't take place. The Senegalese President Abdoulaye Wade drew up the plan, with the objective on the one hand of assessing the needs of the African continent in order to narrow gaps in development between African countries and developed countries, and on the other, raising the necessary funds in the best possible conditions. President Wade presented the plan at the France-Africa Summit in Yaunde, Cameroon in January 2001. The OMEGA plan focused on four socio-economic sectors: infrastructures, education, health and agriculture.

The OMEGA plan was based on the belief that once these identified gaps were bridged by means of massive investments, Africa would have reached the stage where the continent could concentrate on direct production through the use of its natural resources, human resources and modern technologies. The continent should then be able to integrate its trade with the world economy and thereby contribute

¹ www.bbc.co.uk/worldservice/africa/features/storyofafrica/13chapter5.shtml and www.hartford-hwp.com/archives/30/058.html

more to the growth of the globalising world economy.² The plan also outlined the methods and procedures for the needs' assessment, starting from national, through sub-regional to continental needs in the four areas mentioned above. The following five methods were proposed as options for funding the OMEGA Plan.

1. All resources earmarked for infrastructure development and education in African countries to be managed for the whole continent instead of at national level. Continental management would be rational and in keeping with Africa's objective of national unity, and would permit economies of scale.
2. Some African countries possess reserves that are too large to be used up in ten or twenty years, which are placed on the western markets or invested in western economies. As confidence in Africa is growing, these resources could be borrowed by a sub-regional grouping or by the whole continent.
3. Developed countries should be asked to engage their treasury bills in gathering resources for the OMEGA Plan.
4. The creation of Special Drawing Rights (SDR)³ for Africa.
5. With the reassuring perspective on development in Africa, private resources could be called up – resources which today are confidently invested on a long-term basis, in railways, toll motorways, ports and so on.

2.3. The Millennium Partnership for the African Recovery Programme

Approval for the drawing up of the African Recovery Programme was granted at the 2000 OAU meeting in Lome (Togo), authorising the presidents of Algeria, Nigeria and South Africa to devise it. While the Omega plan set goals and defined financial means to narrow infrastructural gaps, MAP on the other hand was designed to present a common front in Africa's dealings with the rest of the world, for instance in seeking aid and investment. These would be sought in return for good governance, and would be used to unite African countries against economic and social problems such as HIV/AIDS. The OMEGA plan was more problematic in that it involved obtaining repayable treasury bonds from the North to finance a pan-continental

² Wade A. 2001 OMEGA plan for Africa, as presented at the conference in Algiers during May

³ A Special Drawing Right (SDR) fund such as the one operated by the International Monetary Fund (IMF) assists members by supplying the amount of foreign currency it wishes to purchase in exchange for the equivalent amount of its own currency. Members of the fund repay this amount by buying back its own currency in a currency acceptable to the fund, usually within three to five years. SDRs provide a credit facility for fund members.

infrastructure scheme, which President Wade also admitted would benefit Northern contractors.⁴

The MAP plan started by identifying the reasons Africa remains poor despite its rich resource endowments. Historical colonialism, wars, lack of creativity on the part of Africans, political governance and Africa's limited role in the world economy have all been identified as part of the explanation. While the OMEGA plan focused on infrastructure, health, education and agriculture, MAP focused on five other areas, as follows:⁵

1. Peace, security and governance;
2. Investing in Africa's people;
3. Diversification of Africa's production and exports;
4. Investing in ICT and other basic infrastructures;
5. Developing financial mechanisms.

The programme called on African leaders to take responsibility by restoring and/or respecting democracy and human rights, promoting development, strengthening mechanisms of conflict prevention, and taking concrete steps against poverty and disease. The partnership between Africa, developed countries and multilateral institutions was also a part of the plan.

MAP would be governed by a forum of heads of state, which would make decisions about sub-programmes and initiatives within the framework of the programme of action and about additional participants in the forum. These decisions would be binding for participating countries.

It was believed the initiative would offer an historical opportunity to developed countries to enter into genuine partnership with Africa, based on mutual interest, shared commitment and binding agreements.

3. The goals, objectives and expected outcomes of NEPAD

The overarching development policies in the NEPAD plan are as follows:

- Export promotion and speedy economic integration, which will enable the continent to stand on its own in a strong position concerning international economic, political, social and scientific matters.

⁴ Taylor I & Nel P 2000. 'New Africa', globalisation and the confines of elite reformist: 'Getting the rhetoric right', getting the strategy wrong, in *Third World Quarterly - Journal of Emerging Areas*, vol.23, no.1, pp 163-180

⁵ The Millennium Partnership for the African Recovery Programme (MAP), Draft 3a, Pretoria, March 2001

- The NEPAD plan includes the attainment of conditions necessary for sustainable development such as the peace, security, democracy and political governance initiatives, the economic and corporate governance initiative, and the sub-regional and regional approaches to development initiative.
- Sectoral priorities such as bridging the infrastructure gap; human resource development; agriculture; environment; culture, and science and technology platforms, and
- Mobilising resources through the capital flows initiative, which requires among others, the debt relief and Official Development Assistance (ODA) reforms.

The long-term objectives of NEPAD are to eradicate poverty and to place African countries, both individually and collectively, on a path of sustainable growth and development and to promote the role of women in all activities. The overarching goals and objectives within the NEPAD plan are:

1. To achieve and sustain an average GDP growth rate of over 7% per annum for the next 15 years, for all participating countries
2. To ensure that the continent achieves the agreed International Development Goals (IDGs), which are:
 - *To reduce the proportion of people living in extreme poverty by half between 1990 and 2015:* This requires leaders to focus on developing favourable macroeconomic policies aimed at creating opportunities for the poor, especially historically disadvantaged groups such as women and rural people. Decentralisation and support for existing programmes such as the Comprehensive Development Frame work of the World Bank and the poverty reduction strategy approach linked to the debt relief initiative for the Heavily Indebted Poor Countries (HIPC) have been identified as part of this approach.
 - *To enrol all children of school-going age in primary schools by 2015:* Poor facilities, inadequate systems and low spending on education in some African countries are issues requiring urgent attention;
 - *To make progress towards gender equality and empowering women by eliminating gender disparities in the enrolment in primary and secondary education by 2005;*
 - *To reduce infant and child mortality ratios by two-thirds between 1990 and 2015. To reduce maternal mortality ratios by three-quarters between 1990 and 2015. To provide access for all who need reproductive health services by 2015;*

- *To implement national strategies for sustainable development by 2015, so as to reverse the loss of environmental resources by 2015.* This involves taking actions aimed at the conservation of the natural diversity and natural resources in the ground, on land and in our national and regional waters.

Central to the NEPAD concept is the expectation of significant capital inflows to Africa (US\$64 billion a year). According to the keynote address by the Canadian Minister for International Cooperation, Minister Susan Whelan, at the NEPAD conference which took place on the 4th May 2002 in Montreal of Canada, Canada has already allocated US\$500 million to supporting the G8 African Action Plan. Apart from assistance from foreign governments, the significant question is how to secure funds from private investors and how the NEPAD plan will ensure that such funds are directed towards infrastructure, manufacturing etc., especially for countries with underdeveloped manufacturing sectors and deteriorating terms of trade.

The expected results and outcomes of the NEPAD goals and objectives are fourfold:

1. Economic growth and development and increased employment;
2. Reduction in poverty and inequality;
3. Diversification of productive activities, enhanced international competitiveness and increased exports; and
4. Increased African integration.

3.1. The Heads of State Implementation Committee

The Heads of State Implementation Committee is composed of the five permanent promoters of NEPAD (Algeria, Egypt, Nigeria, Senegal and South Africa) and 10 additional members (two from each AU region). The full membership comprises Cameroon, Gabon and Sao Tome Principe from the Central Africa; Ethiopia, Mauritius and Rwanda from East Africa; Algeria, Egypt and Tunisia from North Africa; South Africa, Botswana and Mozambique from Southern Africa, and Nigeria, Senegal and Mali from West Africa. The functions of the Implementation Committee will consist of the following:

- Identifying strategic issues that need to be researched, planned and managed at the continental level;
- Setting up mechanisms for reviewing progress in the achievement of mutually agreed targets and compliance with mutually agreed standards;
- Reviewing progress in the implementation of past decisions and taking appropriate steps to address problems and delays.

As from 23 October 2001 until further notice, President Olusegun Obasanjo of Nigeria chairs the Committee, with Presidents Abdoulaye Wade and Abdelaziz Bouteflika (of Senegal and Algeria respectively) being vice-chairpersons. Thus NEPAD has a three-tier governing structure with the chairperson and two vice-chairs, and is comprised of 15 states (three states per AU region) including the five initiating states.

3.2. Implementation

Although no specific date has been earmarked for the implementation of NEPAD, the implementation process should follow the following steps/procedures:

The Secretariat will be responsible for the coordination and preparation of a business plan for each priority area. Such a plan will define clear objectives, value to be added by the initiative, key partners, required actions (research, consultation, negotiation, ratification, implementation etc.), institutional arrangements and resource mobilisation strategies where appropriate. A project leader or task team coordinator will be appointed for each project. The coordinator will mobilise expertise from existing institutions, both within the continent and internationally. Expertise will be drawn mainly from the African countries on the basis of relevance. Cabinet ministers and other office bearers will be utilised when political leadership is necessary.

Project leaders and task teams will work closely with relevant African countries, regional economic structures, African development and finance institutions, relevant multilateral institutions and development partners. Terms of reference with time frames will be prepared and submitted to the Steering Committee for each project. New initiatives or projects will be approved only in cases where the management structures of the initiative are convinced that it can add value, either through a new intervention or the strengthening or acceleration of existing processes or programmes.

The procedures for the appointment of project leaders, regional and international institutions and the countries that need to be consulted should be apparent. NEPAD is not only an economic and social body, but also a politically-oriented one. A good start is crucial if it is to earn political acceptance and credibility from all the corners of Africa. The question here is whether the leaders will consult all countries, including those which are experiencing conflict and economic crises for instance, such as Zimbabwe. A critical question arises: how will conflict resolutions be handled within the NEPAD plan?

4. NEPAD and the African Union

According to the NEPAD plan of October 2001, there have been several attempts in the past by African leaders to set out continent-wide development programmes. The

failure of such programmes is attributed to one or more of the following reasons: timing (cold war paradigm); lack of capacity for implementation; lack of genuine political will; and questionable leadership and ownership by Africans. NEPAD is therefore believed to be at a significant juncture in the history of Africa, as a critical mass of leadership has developed both on the continent and abroad which is genuinely committed to undertaking programmes aimed at the revitalising the continent.

NEPAD is a comprehensive tool for the AU, or looked at another way, it is a plan designed to implement objectives of the AU and is also a mandated mechanism for accelerating the implementation of the Abuja Treaty⁶ on African economic integration. Its secretariat and the steering committee are to work closely with the AU. NEPAD and the Conference on Security, Stability, Development and Cooperation in Africa (CSSDCA)⁷ complement each other, but there are also areas where they overlap in their functions and responsibilities. The AU secretariat is currently working with the steering committee to rationalise the two bodies. Since the NAI (now NEPAD) was adopted by the OAU, this implies that all OAU member-countries accepted it. The OAU recommended that the original five-member steering committee should be expanded and increased to a 15-member implementation committee, to consist of three members from each OAU regional grouping. Each region's member states decide which countries will represent them on the implementation committee, but each member of the AU is a member of NEPAD - at least in theory.

The link between NEPAD and the AU has not always been clear. Despite the fact that the AU Chairperson and Secretary-General are ex-officio members of the implementation committee, and that the implementation committee has to report annually to the AU summit, it is interesting to see that Libya - a strong driving force behind the AU - is not a member of NEPAD. At the same time, NEPAD's membership is not automatic for any African country. Unity and integration are not pre-conditions for NEPAD, but rather desired outcomes.⁸ These issues are not part

⁶ The Abuja treaty refers to the transformation of the Lagos plan of action and the final Act of Lagos into concrete form in Abuja (Nigeria) in June 1991, when the OAU Heads of State and Government signed the treaty and established the African Economic Community (AEC), during the 27th session of the assembly. Among other things, the aim of the AEC is to promote economic, social and cultural development as well as African economic integration in order to increase self-sufficiency and endogenous development and to create a framework for development, mobilisation of human resources and materials.

⁷ The Conference on Security, Stability, Development and Cooperation in Africa (CSSDCA) refers to a May 1991 African Head of State conference in Kampala, Uganda, which was organised by President Yoweri Museveni of Uganda (in his capacity as a chairman of OAU at that time) and President Olusegun Obasanjo of Nigeria (Chairman of African Leadership Foundation at the time). This meeting agreed on a unified strategy for development, linking issues of security, stability, development and cooperation among African States.

⁸ Breytenbach W. 2002. The African Renaissance and NEPAD: help or hinder co-operation and integration in Africa? Presented for the Yearbook on Regional Integration, NEPRU/KAF Workshop on the Monitoring of Regional Integration, Windhoek, 1 June 2002.

of the terms laid down either by African nations or by the G8 leaders. The aim appears to be to integrate globally rather than continentally, perhaps leaving Africa's integration process to the AU and sub-regional trading blocs.

5. NEPAD and other Initiatives

There are many other initiatives and processes on the ground already to enhance the socio-economic and political situation in developing countries worldwide, some targeting Africa in particular, such as the Copenhagen Declaration⁹, the Cotonou Agreement¹⁰ and the African Growth & Opportunity Act (AGOA)¹¹. In the NEPAD plan it is explicitly stated that NEPAD does not seek to replace or compete with any of these initiatives, but rather to establish links and increase synergy between NEPAD and such initiatives for the greater good and development of the continent.

On 26 March 2002, in Abuja, the Heads of State Implementation Committee approved the draft report on Good Governance and Democracy and the African Peer Review Mechanism (APRM), the body that will help ensure that African countries base their policies on sound and reasonable economic and social practices. The summit also recommended that an independent and credible African institution conduct the technical aspects of this mechanism, and for such institution to be separate from the political process and structures of the AU (Southern African Regional Poverty Network).¹²

There are questions concerning how non-NEPAD member African countries would benefit from the plan, and also regarding the actions NEPAD could take to punish non-compliant members apart from expulsion or exclusion from the continental initiative. The APRM was agreed upon when the 18 Heads of States of the implementation committee of NEPAD met in Abuja (Nigeria) in November 2002, and was signed by 12 of the 18 heads of state. There would appear to be considerable confusion regarding the political issues and whether they fall under the review of

⁹ The Copenhagen Declaration on Social Development refers to agreed principles and social goals to which most world states committed themselves at the World Summit for Social Development (WSSD), which took place on 6-12 March 1995 in Copenhagen, Denmark. At the summit, world states committed themselves to the creation of an economic, political, social, cultural and legal environment that would enable their people to achieve social development

¹⁰ The Cotonou Agreement refers to a comprehensive aid and trade agreement between African and Caribbean and Pacific countries (ACP countries) on the one hand, and the European Community (now European Union) on other, signed in Cotonou, Benin on the 23rd of June 2000. The central objective of the partnership agreement is to reduce and eventually eradicate poverty in ACP countries, while continuing to integrate these countries in the world economy.

¹¹ The African Growth and Opportunity Act (AGOA) is a partnership agreement between United States and African States, providing African economies with access to US markets. The first phase (AGOA I) was signed in law on the May 18, 2000 by the former US President Bill Clinton, while President George W. Bush signed the second phase (AGOA II) on August 6, 2002.

¹² The Southern African Regional Poverty Network (SARPN):
<http://www.sarpn.org.za/news/newsletters/no5/page2.php>

NEPAD or are in fact beyond its mandate. Up to now no decision has been reached about how this mechanism will work. The review process is expected to start functioning on the 1st of April 2003.

Another question is how the economic objectives of NEPAD fit in with programmes of regional trading blocs in Africa such as COMESA, SADC, SACU *inter alia*, when it comes to their agreed trade liberalisation schedules. Have regional economic communities participated in NEPAD programmes and workshops so far? SADC Trade Protocol calls for the removal of all intra-regional tariffs on all products classified as non-sensitive by the year 2008.¹³ The protocol also provides for special treatment for "sensitive products" (in agriculture, agro-industry and manufacturing), to be excluded from tariff liberalisation until the year 2012, while not really addressing the issue of trade liberalisation with countries which are currently not members.

The COMESA member states have agreed to establish a customs union with a common external tariff (CET) by the year 2004, to be 0%, 5%, 15%, and 30% on capital goods, raw materials, intermediate goods and final goods respectively. The conference of the ministers of foreign affairs and finance, which took place on 13 September 2002 in Blantyre (Malawi), attempted to harmonise programmes of the SADC's Regional Indicative Strategic Development Plan (RISDP)¹⁴ and that of NEPAD. Since SADC is premised on the Regional Economic Communities (RECs)¹⁵, while NEPAD is an African-wide Initiative, it was agreed that SADC is part of and feeds into NEPAD. Therefore, SADC participates in both the AU and in NEPAD and will be expected to take these two regional bodies into account in all its programmes.

6. The G8 African Action Plan

The G8 summit that took place in Kananaskis of Canada on 26-27 June 2002 is regarded by some as a major turning point in Africa's history. To this meeting the Presidents of Algeria, Nigeria, Senegal and South Africa, together with the UN Secretary-General were invited to discuss challenges facing Africa, and for the G8 to give its first response to NEPAD plan. The summit adopted the G8 African Action Plan as a framework to support African countries whose performance reflects the

¹³ Southern African Development Community (SADC). The Trade Protocol

¹⁴ Regional Indicative Strategic Development Plan (RISDP) of SADC is a plan to provide SADC member states, SADC institutions and key stakeholders with the necessary developmental framework concerning the operation of SADC's common agenda and strategic priorities over the next decade (2002-2011).

¹⁵ Regional Economic Communities (RECs) refers to regional trading blocs such as SADC, COMESA, SACU, ECOWAS etc.

commitments of the NEPAD plan. The G8 agreed at this meeting to continue their dialogue with African partners and review the progress of the implementation of the G8 African Action Plan on the basis of a final report from the G8's personal representatives to Africa. The summit discussed several issues and a number of promises and commitments were made by the G8, including the following areas:

6.1. The Heavily Indebted Poor Countries initiative

Of the 26 countries benefiting from HIPC initiative, 22 are from Africa, and this initiative is now yielding more than US\$800 million in cash savings to African countries. Discussions included the call for HIPC to show good governance, prudent new borrowing and good debt management, as debt relief alone cannot guarantee fiscal solvency, long-term economic growth and social development. The G8 also pledged to fund its share of the shortfall in the enhanced HIPC initiative, which is estimated at US\$1 billion. The summit agreed to secure the participation of all creditors in the HIPC initiative, and to encourage those creditors who have not agreed to reduce their HIPC debts to do so. They further agreed to request the International Monetary Fund (IMF) and World Bank to continue encouraging bilateral creditors not to sell their claims on HIPC in the secondary debt market. Finally, the summit agreed on the need for bilateral donors to consider financing HIPC and HIPC graduates¹⁶ primarily through grants for a sustainable period, and to refrain from supporting unproductive expenditure.

6.2. Resource mobilisation

The G8 indicated its commitment to allocate at least 50% (US\$6 billion) of the G8 share of US\$12 billion per year in increased Official Development Assistance (ODA) to Africa; to increase the use of grants rather than loans for the poorest debt-vulnerable countries and provide up to an additional US\$1 billion to meet the projected shortfall in the HIPC initiative; to work towards the objective of duty-free and quota-free market access for all products originating from the Least Developing Countries (LDCs) including African LDCs; and to work towards enhancing market access in line with World Trade Organisation (WTO) requirements for trade with African free trade areas and customs unions.

6.3. Human resources

The G8 reassured Africans that they will continue to support the Global Fund to fight AIDS, tuberculosis and malaria, and to help Africa enhance its capacity to participate and benefit from the fund; that they will continue to provide resources needed to eradicate polio by the year 2005; to work with pharmaceutical companies to make life-saving drugs more affordable in Africa and to support mechanisms

¹⁶ Source: www.g8.gc/kan_docs/hipc-e.asp

aimed at making basic education accessible to all, with the gender balance to be taken into account. In addition to the HIPC initiative and resource mobilisation, other crucial sections covered are also governance and peace, as well as security.

7. The African resource gap

7.1. Economic growth

In the NEPAD plan a goal of a sustained 7% economic growth annually during a 15 years period is envisaged. This would appear unrealistic, even if the growth rates for some African countries - such as Mozambique, Tanzania and Tunisia - have increased tremendously during the past 10 years. For Africa and SSA the picture has been quite bleak, with an average economic growth rate that hovered around 2 - 3% during the 1990s. Even in the case of Namibia the economic growth rate has been quite low, at an annual average of 3.5% except for a few isolated years during the early 1990s. To change this pattern dramatically from a low to a high growth rate, by exposing the African economies to tougher competition through lowering tariffs on imported products from outside Africa, is a far from realistic proposition.

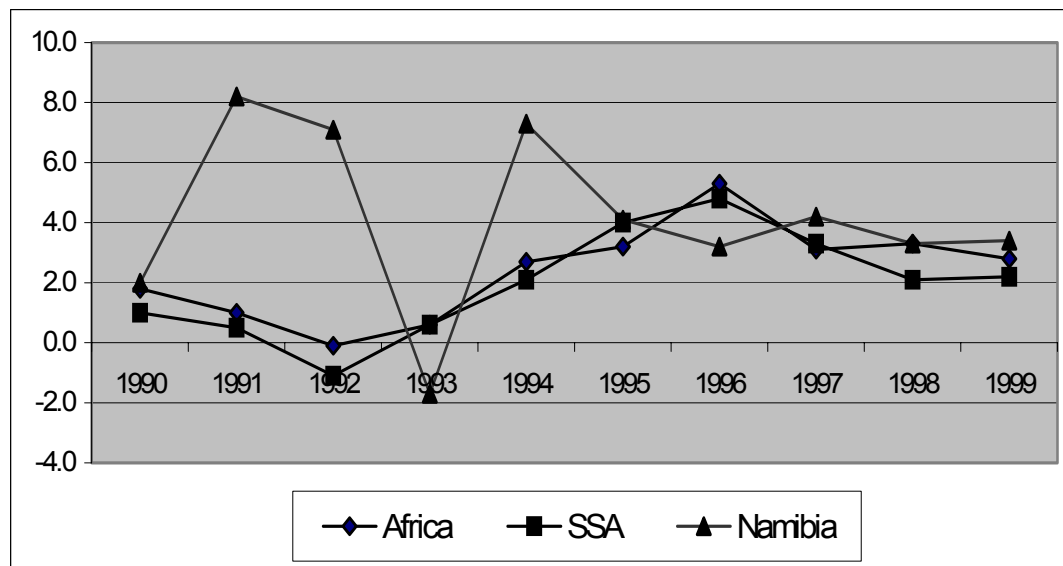


Figure 1 Economic growth in Africa, SSA and Namibia 1990-1999 (%)

Source: World Development Indicators (World Bank 2001), National Accounts (BoN 2000) Preliminary National Accounts (BoN 2001)

Africa accounts for less than 1% of the world's investment flows, while an estimated 40% of Africa's own private savings are invested outside the continent.¹⁷ The question then becomes, at what speed should Africa open up its markets in order to gain from trade and from other financial flows?

¹⁷ Source: www.g8.gc.ca/kan_docs/afrrfact-e.asp

In this section we examine statistics on Official Development Assistance (ODA), Foreign Direct Investment (FDI), Terms of Trade (ToT), current account and exports of manufactured goods for Africa and for Namibia over the last decade from 1990 to 1999, before comparing it with the ambitious targets and aspirations of NEPAD. This section will also have a separate analysis for Namibia in an attempt to see whether Namibia is a typical African country, or if different developmental approaches are needed for Africa and for Namibia.

7.2. Official Development Assistance

Africa attracted a total of US\$14.2 billion in the form of net ODA during 1999. This figure is quite significant when compared to NEPAD's annual target of US\$64 billion in total capital flow to Africa, to be attained through ODA, FDI, loans, debt relief and other investment flows such as portfolio investment. Africa received US\$18 per person during 1999, the same as Sub-Saharan Africa.¹⁸ The main recipients in terms of net ODA per capita were Cape Verde (US\$318), Seychelles (US\$162), Namibia (US\$104), Zambia (US\$63) and Senegal (US\$58). When it comes to total ODA received, the main recipients are Egypt (US\$1.56 billion), Zambia (US\$623.7 million), South Africa (US\$547 million), Senegal (US\$539 million), Zimbabwe (US\$250 million) and Namibia (US\$177 million). Libya received the lowest of US\$5.4 million in the same year. The net ODA/GDP ratio for Africa decreased from 5% in 1990 to 2.6% in 1999, giving an annual average of 4% throughout the 10-year period. For Namibia, this ratio has been in the range of 5-7% throughout the 10-year period, to arrive at an annual average of 6%.¹⁹

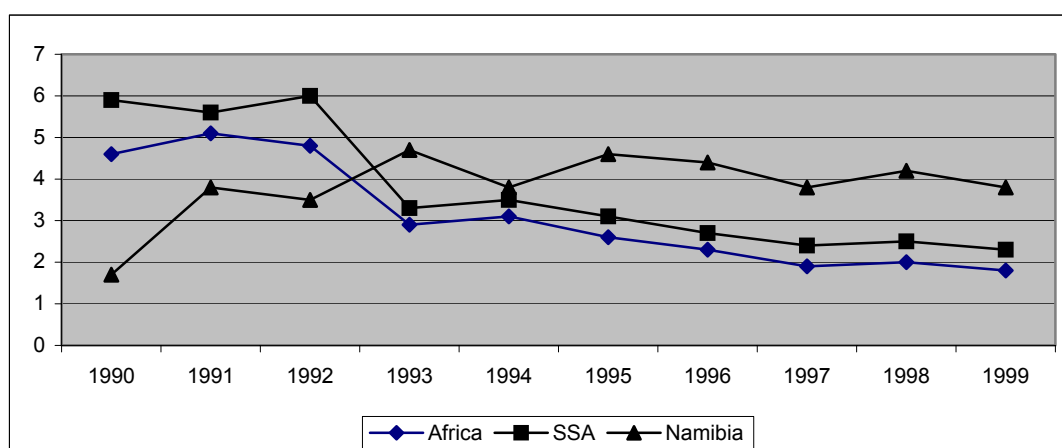


Figure 2 Net Official Development Assistance to Africa, SSA and Namibia as a share of recipient's GDP 1990-1999 (%)

Source: African Development Indicators (World Bank 2001)

¹⁸ African Development Indicators 2001, p.298

¹⁹ African Development Indicators 2001

7.3. Foreign Direct Investment

The average annual net FDI to the continent was US\$2,121 million between 1985 and 1989, before increasing by some 95% to reach US\$4,137 million over the last decade (1990 to 1999) - though this is just in current prices. Countries such as Egypt, Tunisia, Namibia, Botswana and Nigeria attracted significant levels of FDI during the period in focus. In the case of Nigeria, an annual average of US\$876 million between 1990 and 1999 is relatively modest considering the size of its population, particularly when compared to an equivalent figure of US\$826 million for Egypt, or US\$377 million for Tunisia - each countries with considerably smaller populations than that of Nigeria.

Table 1 FDI inflows US\$ million (current prices)

Region	1995	1996	1997	1998	1999	2000
Developing countries*	77,489	112,313	143,115	144,620	181,691	199,395
Africa	5,936	6,440	10,970	8,274	10,474	9,075
Namibia	153	129	84	77	111	124
Africa as a share of Developing countries (%)	7.7	5.7	7.7	5.7	5.8	4.6
FDI/GDP Africa (%)	1.2	1.2	2.0	1.6	1.9	-
FDI/GDP Namibia (%)	4.7	4.1	2.6	2.6	3.6	-

* Excluding the Peoples' Republic of China (PRC)

Source: World Investment Report (2001:291-295)

FDI to Africa grew at an annual rate of 13.5% from 1995 to 2000, but ended the period with a disappointing -13.4% growth rate when it decreased from US\$10.5billion in 1999 to US\$9.1billion in year 2000. FDI to Africa as a percentage of GDP increased slightly from 1.2% in 1995 to about 2% in 1999, while African GDP also grew at a nominal rate of 5% per annum over this period.

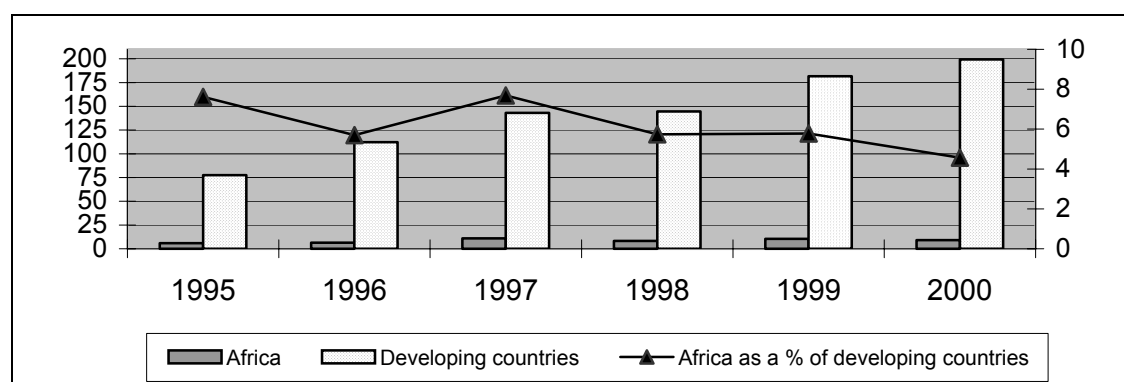


Figure 3 Annual FDI inflows (US\$ billion)

Source: World Investment Report (UNCTAD 2001)

As Figure 3 indicates, the proportion of FDI to Africa has been declining steadily from 1995 to 2000 when compared to the value of FDI to all developing countries (excluding China). Africa received 7.7% of total FDI given to developing countries in 1995 and in 1997, but this gradually decreased to 4.6% in 2000. In addition, the continent attracted on average 1.4% of the world FDI between 1995 and 2000. This trend needs to be reversed in order to meet the objectives of NEPAD, though by how much it should be increased depends on the targeted proportion of FDI in the \$64 billion capital inflow target. Within Africa, however, inward FDI stocks as a percentage of GDP rose from 10.5% in 1990 to 25.4% in 1999, due in part to the slow growth of African economies. FDI stock in Namibia decreased during the 1990s both in nominal terms and as a ratio of GDP. It must be noted that a significant proportion of FDI flows to Africa have been driven by natural resource development, as has been the case with oil in countries such as Angola, Nigeria and Equatorial Guinea. Since many countries are not endowed with the natural resources which attract huge FDI, attracting FDI under NEPAD might not be as easy as is hoped.

7.4. Total net capital inflows and the costs of finance

The annual net capital flows to Africa grew from US\$35.5 billion in 1990 to reach a peak of US\$42.6 billion in 1994 (note that these capital flows exclude debt relief, which is part of US\$64 billion target of NEPAD, and the 1999 data is preliminary). Since then, this figure dropped to US\$25.1 billion in 1998, mainly because of the fall in ODA and loan credit to Africa (total capital flows to Africa averaged US\$34.3 billion per year from 1990 to 1998). The US\$42.6 billion net capital inflow in 1994 was achieved mainly through high borrowing, as loans also reached a record high of US\$12.3 billion for that year, and this high borrowing can be attributed to the IMF structural adjustment programmes (SAP) at that time. The external debt service has been consistently high, averaging to US\$21.1 billion for a 9-year period from 1990 to 1998. Net FDI has been increasing steadily, even though it seems low when expressed as a proportion of total net flows of capital to the continent.

Table 2 Net capital inflows to Africa in US\$ million (current prices) (Do something about this table (reformat)

Net capital inflows	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Net FDI	1,319	2,314	2,145	2,585	4,387	3,766	5,409	7,398	7,913	8,427*
Net capital grants	3,782	4,162	5,158	4,435	4,035	4,189	3,791	3,554	3,936	3,812
Net ODA from all donors	24,360	23,892	23,535	20,421	21,915	20,746	18,329	16,247	16,060	14,152
Net flows: all loans incl. IMF credit	6,081	4,903	5,414	4,024	12,280	9,095	4,791	4,770	-2,834	192
Total net capital inflows	35,542	35,271	36,252	31,465	42,617	37,796	32,320	31,969	25,075	26,583

* Estimate based on the assumption that the net FDI inflow to Africa between 1998 and 1999 changed in the same way as between 1997 and 1998, i.e. + 6.5%.

Source: African Development Indicators (World Bank 2001)

US\$64 billion in capital flows per annum is a very ambitious target. If we start at US\$25.1 billion for 1998 (the latest non-preliminary capital flows to Africa), such a figure would need to be increased by roughly 8% annually if Africa were to achieve this target by the year 2010. If we include other components of these capital flows, such as debt relief and trade proceeds which are not included in the US\$25.1 billion, and combine them with promises and commitments made by the development partners (mostly the G8), the required rate of increase might be attainable, though this is not likely. A *sine qua non* for the success of the NEPAD plan must be that confidence is created in African economies, enabling the continent to attract private FDI and other capital flows.

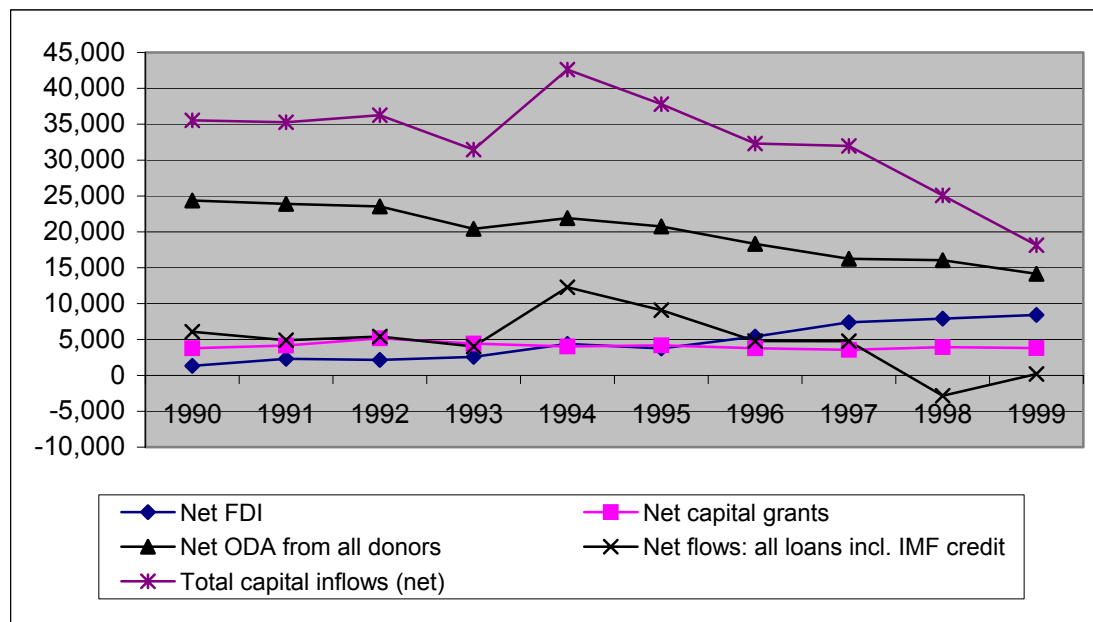


Figure 4 Net capital inflows to Africa in US\$ million (current prices)

Source: African Development Indicators (World Bank 2001)

As can be seen from Figure 5 below, the debt service as percentage of net capital inflows started high at 69.7% in 1990, then fell to a record low of 54.8% in 1994, and reached 77.8% in 1996. This gives an average of 72% over 9 years from 1990 to 1998. The total stock of external debt as a percentage of GDP averaged 61.8% over a 10-year period from 1990 to 1999, leaving African countries to spend about 5% of their GDP on the interest and amortisation of debt (debt service) each year on average, though this figure showed a falling trend from 1994 to 1998. Concerning the relationship between the debt and debt service, as external debt increased around 1994 due to high borrowing, the debt service also started to increase, to reach a peak in 1996 as countries started to pay off their debts.

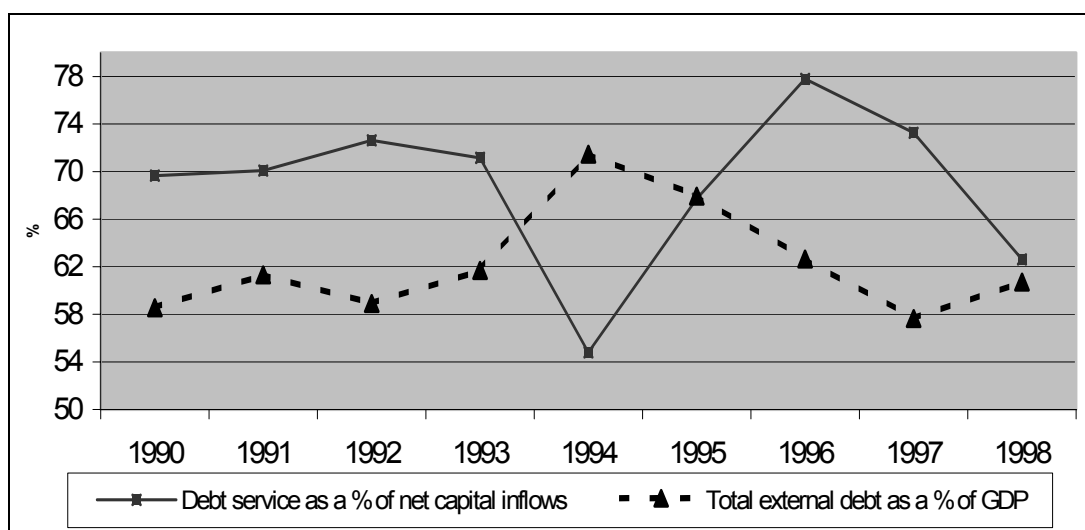


Figure 5 Debt service rates and external debt by Africa 1990-1998

Source: African Development Indicators 2001

On the other hand, net capital inflows as a percentage of GDP fell from 7.7% in 1990 to 3.3% in 1999, with an annual average of 6.7%, indicating a huge decline in capital flows since Africa did not experience good GDP growth.

However, the capital inflows to Africa appear to be even worse than the decreasing net capital inflow indicates above. A general estimation (World Bank) is that for each US\$ of net capital inflow to SSA from the rest of the world, US\$1.06 goes out. Of this US\$1.06, 25 cents is siphoned off as interest payments and profit remittances abroad, 30 cents as capital outflows and reserve build-up, while the bulk of the outflows, 51 cents, vanish as a result of terms of trade losses.²⁰ If these estimates are correct, they imply a net transfer of real resources from SSA to the rest of the world and not the other way around, as would be expected for genuine socio-economic development on the continent.

7.5. Terms of Trade and the current account

Africa is exporting approximately 30% more in volume than in 1980, although the value of exports has contracted by more than 40%, indicating a long trend of falling terms of trade (ToT).²¹ Using data from the World Bank, Africa as well as SSA displayed falling terms of trade throughout the 1990s. Namibia's ToT have more or less followed the general pattern of falling ToT on the African continent.

²⁰ UNCTAD 2001. Economic Development in Africa – Performance, Prospects and policy issues, United Nations, New York & Geneva

²¹ Bond P. 2001. Against Global Apartheid, University of Cape Town Press, Lansdowne

Africa's terms of trade with the rest of the world have been falling steadily over the last decade starting, at 107.1 in 1990 and ending at 97.7 in 1999 when indexed at the 1995 figure (Index 1995=100). The corresponding figures for Sub-Saharan Africa have indicated a slightly higher rate of decline, compared to the whole continent. This worsening in Africa's terms of trade is due to the fact that African countries export raw materials, whose demand and hence prices have been falling as a result of discoveries of substitutes in the west. At the same time, African countries are importers of manufactured products and services, whose prices have been rising. These factors have substantially contributed to the deteriorating balance of payments position for Africa, leading to high deficits in the current account. Raw material prices are also very vulnerable to price shocks and other disturbances as opposed to the prices of manufactured products, which are normally exported by developed countries.

If NEPAD is to venture into fully-fledged liberalisation for African trade, this could pose a problem for many African countries, threatening their survival in the tough competitive international economic environment, at least in the short to medium term. Most African countries will have to improve their manufacturing capabilities and productivity. The trend in Africa's manufactured exports when expressed as a percentage of total exports started to decline sharply from 13.8% in 1995 to a low of 12.3% during 1996, about 0.5% lower than an 8-year annual average of 12.8% from 1990 to 1997. With the exception of Algeria, Egypt, Botswana and Namibia, most African countries have been running consistent current account deficits over the last twenty years (1980-1999) and this weakening manufacturing capacity of African countries can explain such current account deficits.

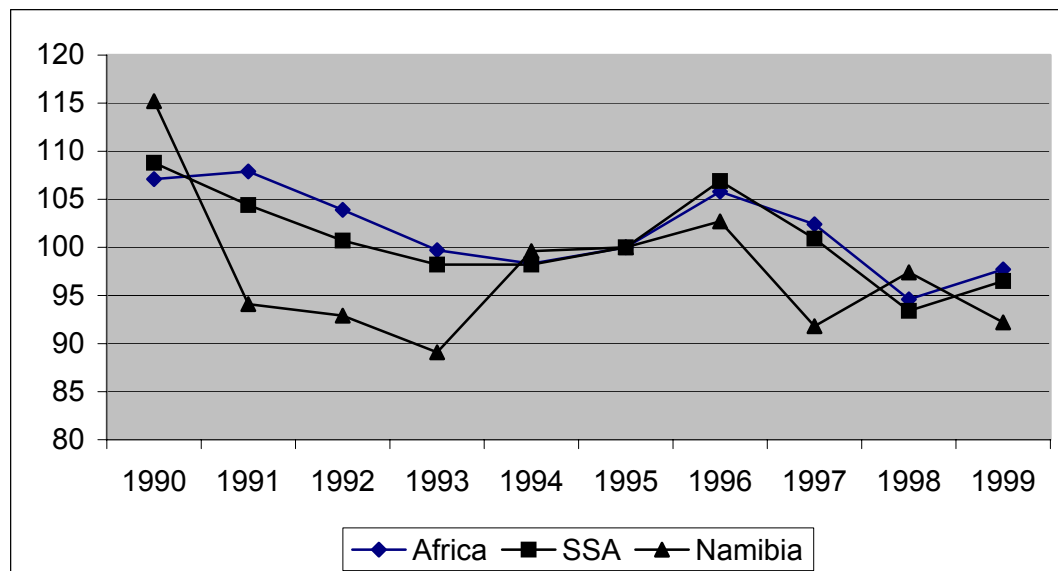


Figure 6 Terms of Trade 1993-1999

Source: African Development Indicators (2001)

When using data from African Development Indicators, Namibia's terms of trade (ToT) has fallen more than Africa's ToT, or Sub Saharan Africa's ToT, though in fact all three have been declining. In Africa there are some countries which are moving

away from primary exports to manufactured exports, and here the problem may be the pace at which this globalisation is expected to take place. Countries such as South Africa, Tunisia, Namibia and Senegal have experienced good growth rates in their manufactured exports over the last decade. Even for the continent as a whole, the trend in manufactured exports is encouraging. Africa's export/GDP ratio has averaged 29% over 10 years from 1990 to 1999, and has been in the 28-32% range throughout the period.²² In the case of Namibia, the same ratio averaged 42% over the 8-year period from 1993 to 2000, but disappointingly, the ratio has shown a diminishing trend, starting from 64% in 1993 and ending the period at a record low of 27%.²³

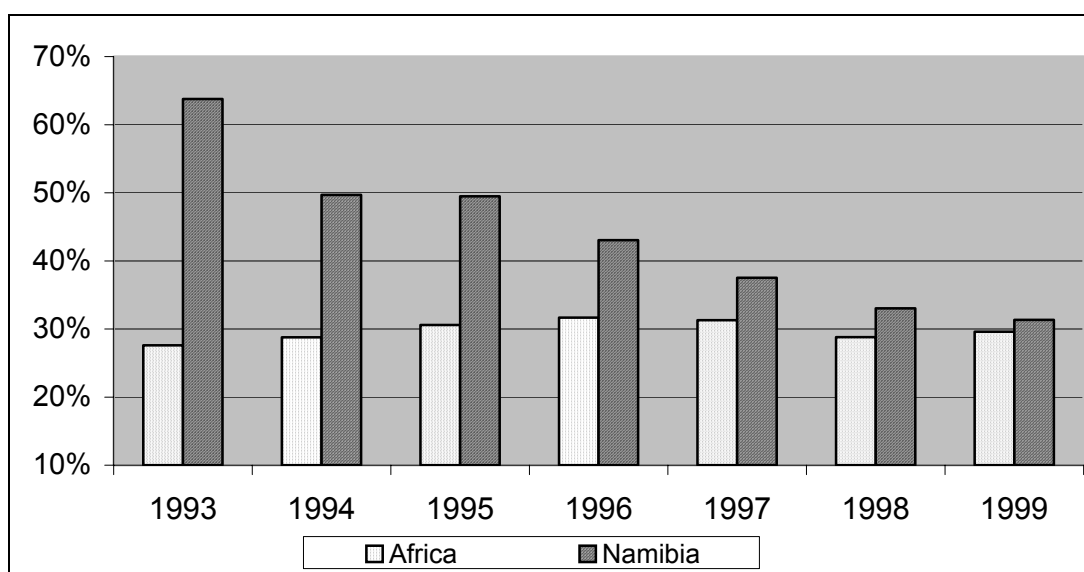


Figure 7 Export as a share of GDP in Africa and Namibia

Source: African Development Indicators (World Bank 2001), National Accounts 1993-2000 (RoN 2001)

As shown in Figure 7, Namibia was an export-oriented country in the early 1990s, starting with an export/GDP ratio of 64% in 1993 which then fell until it reaches a low of 31% in 1999. Nominal GDP for Namibia has been growing at an annual rate of 12.3% over the period 1993 to 1999, while exports only grew at 1.4% in the same period. This implies a negative real growth rate for exports. It may be that the establishment of export-oriented companies such as Ramatex or Scorpion Zinc Mining will reverse the trend of exports for Namibia. Africa's export/GDP ratio has been low and more or less constant from 1993 to 1999.

Fast track economic integration through further trade liberalisation might perpetuate this trend in most African countries - including Namibia - if at the same time the export basket is rearranged to include more value added goods and services, or by transforming the global trade relations. A fundamental question would then be

²² African Development Indicators (World Bank 2001)

²³ Namibian National Accounts 1993 – 2000, August 2001

whether a higher degree of global economic integration on the part of Africa than is being witnessed today will foster economic diversification and value added production, or will rather perpetuate the polarisation between the industrialised and the non-industrialised countries - both within Africa as well as on the global playing field. Deregulation and trade liberalisation by many African countries during the 1980s and 1990s are claimed to have resulted in de-industrialisation in *inter alia* Kenya, Mozambique, Nigeria, Tanzania, Uganda, Zambia and Zimbabwe.²⁴

8. NEPAD's comparative advantage

An African wide programme such as NEPAD is bound to be general in nature, since the continent's problems are broad and interlinked, and the NEPAD document does not suggest prioritisation.²⁵ This is because NEPAD's priorities themselves are so numerous and comprehensive, requiring considerable time and financial resources, but the plan does not specify the immediate ones. Conflict prevention, democracy and governance are clearly seen as being of primary importance, and if the plan was to concentrate on these three pertinent areas for the time being, NEPAD's way forward might have been easier.

How significant, then, is NEPAD's comparative advantage? As argued in the main document of the NEPAD plan, it differs from its predecessor initiatives insofar as it is an institution speaking with an authority rooted in democratically elected governments. Up to this moment, this notion would appear to have been of little value, especially when considering the number of countries in conflict situations and the seriousness of such conflicts. In Madagascar, Nigeria, Central African Republic, the Democratic Republic of Congo, Rwanda, Burundi, Liberia, Zimbabwe, Sudan, Ethiopia and Sierra Leone, at least one of the enabling conditions of democracy, peace or the rule of law is missing. NEPAD is a step ahead when compared to initiatives such as the Abuja Treaty and the Lagos Plan, since it is better presented and may stand a better chance of securing the necessary funds.

9. Pros and cons with trade reforms for Africa

➤ Mixed expectations: the case of the APRM

The African Peer Review Mechanism (APRM) has come under criticism recently regarding its ranking system. The Canadian Prime Minister Jean Chretien, in his speech delivered at the UN summit in Monterrey, Mexico on March 21 2002, urged a ranking system for African countries whereby countries would be ranked from 1 to

²⁴ Third World Network – Africa Secretariat, November 20, 2002 (<http://twnafrica.org/advocacy/wto/wto-eventdetail.asp?twid=96>)

²⁵ Kanbur R. 2001. The New Partnership for Africa's Development (NEPAD). An Initial Commentary, Cornell University

53, in three areas: good governance, human rights and corporate governance. The idea of ranking countries is that 'top performers' will get more aid and investment from industrialised countries.²⁶ African leaders however are sometimes reluctant to criticise each other on human rights and on sensitive political issues. The peer review system designed by African countries allows them to categorise themselves according to economic and corporate performance only, while leaving out sensitive political issues (especially human rights), though this is not welcomed by industrialised nations. The designer of this peer review system is the head of UNECA, K.Y. Amaoko.

The APRM is aimed at those countries which are eager to succeed, but which cannot achieve good results when acting on individual basis. This process then requires African governments to agree on certain performance standards, and the criteria of evaluating their performances in terms of economic and political governance. An independent monitoring and assessment body to be sponsored by NEPAD's Heads of State committee will perform the review. Non-compliant members will be penalised, or even be asked to dismember from the mechanism. This is an opportunity for the public to be able to evaluate their leaders' performance against that of the whole continent. Furthermore, national governments will be aware that they are competing for donor funds with many other governments and private institutions, so the mechanism will put pressure on them to perform. When the review mechanism gets underway, African countries are expected to participate voluntarily. Not volunteering will not imply that the country is not a member of NEPAD, but may mean that there will be a difference in benefits from NEPAD, and will be quite influential when it comes to decisions concerning aid, trade, and other financial flows.

On the other hand, we should not be over-optimistic about the likely success of this process, since some of powerhouses in Africa and in NEPAD are low-ranking countries and thus put negative pressure on the mechanism. According to the World Economic Forum (2000), Nigeria - a founding member of NEPAD - has been ranked 20th among the 24 ranked African countries.

In practice, a number of principles appear to guide development partners' behaviour in the context of APRM. Firstly, donors should discriminate amongst the ODA recipients with respect to performance achievements. Secondly, there is a related need for more co-ordination amongst donors and their activities and approaches towards specific recipients. This should include agreement on recipients' track records on governance, and on the provision of different forms of external assistance such as trade access and debt relief. Thirdly, ODA, trade, debt relief and investment should complement rather than offset each other. This means that aid flows to Africa need to be enhanced in quantity, with donors moving towards the accepted goal of 0.7% of GDP. Fourthly, since ODA constitutes a substantial share of the budgets of many African countries, its delivery and reporting mechanisms can

²⁶ Source: <http://www.worldpress.org/Americas/536.cfm>

play an important role in defining and establishing effective economic governance institutions, especially in the area of public expenditure management. The assessment of donor practices should also be incorporated into NEPAD's Peer Review Mechanism, which means that the accountability between donors and recipients should be a two-way process.²⁷

➤ **Recent international trade developments**

The real structure of international trade is ignored under the NEPAD framework. Currently, developing countries are faced with trade restrictions in areas in which they have comparative advantages, and the belief that such restrictions will ultimately be removed is somewhat over-optimistic. USA as the hegemonic nation in the current world order continues to protect its corporations. When the USA imposed levies of 30% on all steel imports into the USA in March 2002, the EU and China requested the WTO's Dispute Settlement Body to determine whether this violated WTO rules, but USA blocked it, having blocked the same request by Switzerland and Norway. This was followed by Japan taking measures to impose 100% duties on US steel, and the EU also started considering retaliatory actions by imposing 100% tariffs on US products worth 378 million Euros. Japan has, however, postponed its decision while negotiating for further concessions.

Considering such trade negotiations taking place between industrialised nations raises questions as to how much economic unity and negotiating power developing countries can achieve if they are to negotiate trade concessions from developed countries, let alone their ability to retaliate against unfair trade practices. This leads us to pose the following questions:

- ✓ Is NEPAD driving Africa into globalisation too fast, before any real confidence has been created in African economies?
- ✓ Are industrialised countries prepared to offer financial and technical support with minimum strings attached ('untied' aid being preferable)?
- ✓ Will the industrialised countries remove trade barriers on agricultural products, textiles and clothing in which most developing countries have comparative advantages?

➤ **Agricultural trade barriers in the industrialised countries**

Subsidies undermine free trade in the world's agricultural sector. The total subsidies to farmers in the USA, EU, France and Japan constitute 31% of overall agricultural receipts.²⁸ It is estimated that Western nations pay their farmers US\$350 billion per

²⁷ Stephen G. 2002. The New Partnership for Africa's Development (NEPAD): A brief overview, June

²⁸ Tralac newsletter, 10 September 2002

year in subsidies (about US\$1 billion a day). One example of a highly subsidised agricultural product is sugar, where African countries like Malawi, Swaziland, Zambia and South Africa are low-cost sugar producers but are being out-competed by their western counterparts who are enjoying subsidies. The USA paid US\$1.1 billion in subsidies to sugar farmers during the year 2001, while the EU, where weather conditions make sugar production more expensive than anywhere else in the world, is the largest exporter with 40% of the world market. The reduction or elimination of agricultural subsidies was discussed at WTO's Doha Ministerial Conference in Doha, Qatar, during November 2001, with all participants agreeing that subsidies should be cut. It was raised again at the World Summit on Sustainable Development in Johannesburg, South Africa, on the 27th and 28th of August 2002, but left the world divided between developed and developing world.

Following the Doha Conference, the commitment of the USA to cut trade barriers became doubtful when it signed into law the Farm Security and Rural Investment Act 2002, which gives US farmers US\$180 billion over 10 years. At the World Summit in Johannesburg, USA argued that its policy of increasing subsidies in terms of the Farm Act is within WTO rules. Both the USA and EU indicated that they are not going beyond their promise made at Doha Conference, but to date, only the EU has attempted to reform its Common Agricultural Policy (CAP), which subsidises its farmers heavily. Under the Doha Declaration, member governments committed themselves to comprehensive negotiations aimed at liberalising trade in agriculture:

- ✓ Market access - substantial reductions in agricultural trade barriers
- ✓ Export/production subsidies - reductions of, with a view of phasing out all forms of these
- ✓ Domestic support - substantial reductions for supports that distort trade.

Subsidised farmers have an unfair advantage both in export markets and at home because of the price support, so they can dump their products on the markets of LDCs, thereby forcing farmers in those countries out of the market as crop prices are pushed down. The elimination of such subsidies will result in a win-win scenario for both parties, because as developing countries gain more from trade, they will spend more on manufactured goods and services from developed countries. The constraint however is the anticipated resistance from farmers who are currently subsidised.

Apart from subsidies, Western Governments are also accused of imposing high tariffs, which keep farmers from developing countries away. Tariffs on meat, fruit and vegetables can actually exceed 100%, being imposed with the view to offsetting subsidies as some exporting countries are subsidising their farmers. For instance, the EU imposes 140% tariffs on sugar imports.

➤ **Lessons from South Africa's trade liberalisation**

South Africa has implemented trade liberalisation strategies since 1994, involving the complete removal of tariffs for some products and tariff reductions for others. The policy is complemented by the Government's global economic strategy, which seeks to extend existing bilateral, regional and multilateral ties with economies around the world - the EU-RSA-FTA is a recent example.²⁹ Foreign Direct Investment has however been below expectations, while the economy has been faced with declining output growth, and a weakening and/or fluctuating currency, mainly due to high levels of speculation against the Rand.

This is an indication of the importance of the elasticity of tariff revenue with respect to tariff rates in determining the effect of trade liberalisation (tariff reduction) on Government revenue. Other determinants are income and substitution effects that come about because of a change in the price of imports due to lower tariffs. Consider a country eliminating tariffs, while broadening its internal tax base (corporate, personal income tax, VAT etc). Can trade increase to such an extent that internal tax revenue compensates for the lost tariff revenue? Theoretically it might, but this has not happened for South Africa, whose customs revenue as a percentage of total revenue fell slightly from 3.6% in 1993/94 to 3.5% in 1999/2000. The exports/GDP ratio however increased from 21.46% in 1993/94 to 25.27% in 1999/2000³⁰, although the country experienced a low output growth rate for the last 6 to 8 years.

10. Partnership within NEPAD

11. Views concerning NEPAD in Namibia

Is NEPAD the 'right' plan for Namibia? What is the difference between NEPAD and its predecessor initiatives, such as Abuja Treaty and Lagos Plan of Action? Will NEPAD work to unite Africa (economically, politically and socially), or will it lead Africa towards more disunity and economic dependency? We will in this section try to elaborate on these questions based on historical evidence and available statistics, but primarily on views expressed by several Namibian officials interviewed for this purpose during the course of the study.

Namibia is classified as a lower middle-income country, and its recent economic performance stands well above the average performance of the African continent. The country scored a fourth-place ranking in the recent African competitiveness report (World Economic Forum 2000), which ranked 24 African countries with respect to political, economic, social and other factors that affect the

²⁹ Matlanyane A. & Harmse (2001) Revenue implications of Trade Liberalisation in South Africa

³⁰ Matlanyane A. & Harmse (2001) p.5

competitiveness of a country and the economy. In terms of infrastructure, Namibia has the privilege of being closely associated with what is probably the most developed country in Africa (South Africa). We will highlight areas in which Africa and Namibia are perceived to gain or lose as a result of trade reforms, social targets and political arrangements that will ensue with the implementation of the NEPAD.

According to views expressed by several officials interviewed, Africa needs more 'trade', but not 'aid'. The challenge is for Africa to increase productivity before we can talk of trade quotas imposed by developed countries, since such quotas are not even fully exploited. For instance, Namibia has a 13,000-ton annual beef export quota to the EU, but the country's beef export capacity is still below 10,000 tons a year. Productivity is a problem even considering the inflationary situation prevailing in SADC region; it is because we have a lot of money and few goods circulating in our economies. Subsidies given to farmers in developed countries are a matter of concern to developing countries, including in Africa. Developed countries need to liberalise trade first, before developing countries can open up their markets for international competition because trade is much more liberalised now in Africa than in the West. Africa needs a mechanism to create trade links that would enable African countries to trade effectively with each other and with the rest of the world, but not a mechanism that requires massive resources from overseas. The AU should drive NEPAD and not the other way around. Will NEPAD have power to exercise over National Governments? Not likely!

Whether NEPAD succeeds or not, we can only talk of the success or failure of individual countries and not for the whole continent, because African countries are at different levels of development, endowed with different resources, different cultures, different governing and management systems, and so on. Countries can simply benefit by managing their economies better. NEPAD should reconcile trade liberalisation and industrialisation, which normally work against each other, especially in the case of LDCs and other developing countries such as those found in Africa.

The question of partnership is another weakness of NEPAD. Who are you supposed to partner with? Initiators of NEPAD decided to concentrate more on a partnership with the G8, maybe because these countries belong to the economic and political core powers of the world. Africa has many other development partners who should be just as important as the G8. Some of the Scandinavian countries have surpassed a 0.7% of GDP aid target, whereby it is agreed that developed countries should allocate at least 0.7% of their GDP to aid to developing countries. The value of aid provided by Cuba in form of medical doctors to Africa is impressive, yet no NEPAD partnerships have been arranged with these countries. When it comes to some expected trade-offs resulting from trade liberalisation, such as the loss of customs revenue and the loss of national sovereignty for continental unity, the belief is that trade and productivity will increase to such an extent that internal tax revenue (corporate tax, VAT etc.) will compensate for the lost customs revenue. In addition, the countries can jointly exercise sovereignty, while remaining united as a continent (not giving up national sovereignty for continental unity).

The NEPAD plan has also been accused of having a limited vision regarding the role of the state in the economy, in contradiction with its own admission that the state is central as a driver of development. The Government does not create welfare, but its economic role is fundamental in addressing issues such as poverty reduction, income re-distribution, the creation of a conducive policy environment for markets to operate in, and providing necessary services to its nationals. This requires NEPAD to say something about some vital activities that cannot be privatised, at least in the short to medium term. State-Owned Enterprises (SOEs) are normally created and maintained for reasons other than efficiency - i.e. to empower the poor by re-distributing wealth from the rich to the poor, but this will not prevent us from talking about corruption where applicable.

If NEPAD is to be a success, Namibia will obviously benefit as other regional countries (especially Angola and DRC) get their infrastructures up to standard, and this will make intra-regional trade easier and profitable. This means that highways like the Trans-Kalahari and Trans-Caprivi will be well utilised and further extended to inter-link the whole region, and communication networks will make doing business cheaper all over Africa. Namibians will for instance be able to call Senegal directly rather than through France, as is the case at present.

How well can Namibia rank according to the African Peer Review Mechanism's focal areas? That is, according to *political governance*, *human rights* and *corporate governance*. Namibia ranks well on the first two, but not on the third. To deal with the problem of inefficiency and the poor management of national parastatals, the Government has put in place the policy on divestiture and parastatal management, which has led to the outsourcing of functions from some parastatals and the closure of others, such as DBC (Development Brigade Corporation). This may however remain an area in which Namibia will have pressure to perform under APRM requirements. Namibia is classified as a lower-middle income developing country. Since the country falls under neither the LDC or HIPC groupings, so Namibia is not set to benefit from concessional loans or from debt relief programme under NEPAD plan, though it can benefit from other capital flows such as FDI, and Trade.

In brief, the strengths of NEPAD include the fact that the continent is moving towards achieving peace, and that NEPAD can be referred to as the first African multi-dimensional plan to have been initiated by leaders from different corners of the continent, where Northern, Southern and Western Africa are represented. The weaknesses include the fact that the massive resources provided by overseas donors may come with strings and conditions attached which African countries might have difficulty accepting. Opportunities comprise the commitments and support indicated by our development partners, particularly the G8, and a possible African integration which will mean more intra-continental trade and faster development. The success of NEPAD and its peer review mechanism will put pressure on African governments to perform, as our societies will have a baseline on which they can base an evaluation of their leaders.

Threats to NEPAD are that Africa is still divided on many sensitive issues (mainly political), such as the Zimbabwean land and election crises. Trade retaliations and blocking of negotiations discussed earlier in this chapter leave us with questions as to whether there will be any break-through in world trade reforms. The unwillingness by developed countries to reduce (or eliminate) agricultural subsidies given to their farmers is a constraint to any long-term market access for developing countries, including Africa.

12. Winding up

12.1. Conclusions

➤ Africa

NEPAD is the most comprehensive framework yet developed by the African ruling elite to take Africa out of its perpetuated underdevelopment and poverty and to integrate itself into the globalising world economy, thus transforming Africa economically, politically and technologically. NEPAD is premised on the neo-liberal economic foundations of global free trade and the unfettered operations of market forces, combined with the liberal political notion of good governance as an all-inclusive political concept. While the goals and objectives most certainly require support, the big issue is whether the medicine prescribed by its initiators is the right one for Africa. We should appreciate the efforts of these African leaders who have shown their commitment towards the development of the African continent, but we should also be cautious about the influence of developed nations on the activities of NEPAD. Donors will most certainly make sure that their demands (conditions) are met before they commit their resources to the programme. The question is whether they are prepared to give enough room to African people to run their development programme independently.

Whether we will need a different economic and social plan for Africa, the ideas and approaches outlined in the NEPAD document should not be neglected or rejected without being carefully evaluated. NEPAD is a comprehensive plan, economically and socially, but the top-down approach taken by its initiators by marketing it first outside Africa before popularising it within the continent may raise many questions about the ownership and management of the plan. A general alienation by others than the initiators might create a serious stumbling block to get it accepted by many African states and Governments.

Industrialised countries may use the NEPAD framework to isolate unqualified countries, as NEPAD members will be under pressure to comply with requirements that may leave the continent in disunity. For instance, Thabo Mbeki commented that the Zimbabwean elections were free and fair, while at the same time he was on the three-member Committee that suspended Zimbabwe from the Commonwealth, together with the Nigerian president (Olusegun Obasajo) and the Australian Prime

Minister (John Howard). The issue of the African Peer Review Mechanism may disunite the continent if not properly handled. Desired reforms should come about through good faith, not through the sanctioning and isolation of some countries.

Closing the 'resource gap' may prove to be a mammoth task, taking into consideration the annually widening gap of about US\$40 billion for Africa - or even taking into consideration the fact that SSA is most likely to be a net 'exporter' of real resources to the rest of the world. Measures need to be taken in order to halt the declining inflow of capital to Africa, or maybe even more pertinently, to reverse the tide of capital flight out of Africa.

As a result of the clear direction of the political economy of the NEPAD plan, it appears to have created a clear rift between African states - or more correctly, African leaders. Among the overtly antagonists towards the political and economic principals of the NEPAD plan we find *inter alia* President colonel Muammar El-Qaddafi of Libya and President Robert Mugabe of Zimbabwe. The near future will tell how many African leaders (states) will join the group of African states that wants to neutralise rather than promote the NEPAD plan.

NEPAD is based on principles of liberalisation and privatisation, which is arguably likely to worsen the employment situation in many African countries as businesses retrench workers in order to remain competitive in the world economy. Other negative effects could include the weakening of labour rights and the termination of poverty-reduction programmes as the role of the state in the economy becomes minimal. African economies are likely to become dependent on more advanced economies for imports, while domestic firms are not yet ready for international competition. In the absence of economic regulation in the country, transnational corporations and other well-established organisations can employ tactics of predatory dumping and transfer pricing.

Even if the African states manage to live up to what is perceived as good governance and 'sound economics', no government can decide to increase the private capital flows to Africa, since this is basically based on market rather than political decisions. A *modus operandi* peer review mechanism is therefore no warranty for hiking private capital (FDI) inflows to Africa, which also rest on other important considerations such as 'stability' - which is not necessarily the same as 'good governance' and 'macro economic soundness'.

General experience shows that private capital inflows (especially FDI) lag behind rather than lead growth, which is the reason why the task to fill the 'resource gap' will rest primarily on official rather than private financing. An increased ODA inflow may become true for some African countries - probably those classified as LDCs - and manage to pass the APRM monitoring tool. Since ODA is a political decision, this is also something that political leaders in the G8 and OECD can actually control.

There is a danger that the implementation of the NEPAD plan will drive the African continent into one-sided trade liberalisation with the industrialised world too quickly,

before any real confidence has been created in African economies to warrant productive investment. Meanwhile the industrialised countries keep their trade barriers on agricultural products, textiles and clothing where many developing countries have comparative and competitive advantages today.

Whatever materialises from the NEPAD initiative, an important issue for Africa's development has surfaced on the global arena in order to deal with underdevelopment and poverty in Africa. It is important that Africa, independent of the merits or shortcomings of the NEPAD plan, remains within the core of international development discourse and is not once again relegated to the position of backbencher in the international development forums.

Finally, NEPAD may create opportunities for those countries that are ready for a more deregulated economic integration with the industrialised world, and are prepared to comply with the conditional ties put in place by those in charge of the capital that will fuel this process. These would be countries with a developed and competitive secondary and/or tertiary sector. Could it be South Africa? For those nations the prospect might prove to be good, while for others the future is rather bleak - or at best, uncertain.

➤ **Namibia**

From a narrow perspective, NEPAD appears to have little to offer Namibia considering that Namibia already scores well in both 'political governance' and 'sound economic performance' as set out in the initiative. An increase in capital inflows to Namibia as a result of improved governance and 'sound macro economic performance' is therefore not to be expected.

In terms of FDI, history shows that private capital inflows lag behind rather than lead economic growth in a country. It appears therefore that Namibia, with low domestic investments and a moderate economic growth rate, would have to rely on official rather than private capital inflows in the future. NEPAD *per se* is unlikely to generate additional FDI for Namibia.

Namibia is already a major receiver of ODA (aid) as discussed above, and it is therefore neither realistic nor likely that ODA will increase in the near future. The trend is rather the opposite, as for a lower middle-income country the competition for foreign aid is stiff between the many least developed countries (LDC), which could even mean a diminishing slice of the cake for Namibia in the future. In addition, as a non-Highly Indebted Poor Country (HIPC), but rather a non-internationally indebted country, it will not benefit directly from any future debt relief issued to African countries.

However, from a broader perspective, NEPAD might be able to halt political turmoil, civil war, and bad governance in a way that has not been possible before in Africa. As a result of this NEPAD may be able to curb havoc and illegitimate governance in countries in the region, and in Africa in general this would undoubtedly also have a

positive effect on Namibia through the 'neighbourhood effect'. In other words, peace and prosperous development conditions in Namibia's neighbouring countries would also have a positive impact on the economic development in Namibia.

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