

NEPAD - a new dawn for Africa?



CEOs' views on the chances of
a successful African development initiative

Foreword

The last decade has seen the greatest political changes in Africa since the end of colonial rule in the fifties and sixties. Apartheid in South Africa has been seen off, and fledgling democracies have been established all over the continent. But the nineties were also a decade of conflict which has resulted in the near annihilation of some countries. And everywhere, the hard earned dividends of democracy, a better quality of life for our citizens, are yet to be seen.

More people in Africa now are below the poverty line than at any time in our history. And the ravages of HIV/ AIDS and other communicable diseases have knocked our life expectancy back decades. Every day we lose further ground on the developed world, and worse perhaps, with the rest of the developing world that used to be our contemporaries.

Africa: the current state of affairs

- 50% of the population live on less than US\$1 per day (EC's cattle stock receive more than \$2 per day in subsidies)
- Child mortality for under 5s is 140 per 1000
- Life expectancy at birth is 54 and falling
- 58% of the population has access to safe water
- Illiteracy rate is 41%
- Telephone lines per 1000 people stands at 18 (compared with 146 for the world and 567 for high-income)



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What can be done to arrest the decline? Whatever the answer, it is in our hands. That much is clear. Yes, we need help from the outside world. And we need it in ways that are currently not on offer – reduced agricultural subsidies in the EC and the US would help, as would the removal of other tariff and non-tariff barriers.

But whatever our development partners might or might not do for us, are we at last accepting that the resolution of our problems lies in our own hands?

A little over a year ago, Africa's leaders endorsed the New Partnership for Africa's Development. Will this be Africa's new dawn? Or will it stumble and fail like so many initiatives before it?

It's too early to say, but one thing is for sure; without commitment and belief it has no chance. We need the commitment of the African leaders who have sponsored it. We need the support of our development partners, who have endorsed it. But, perhaps above all, we need the **private sector** to put development at the top of its agenda, take a lead, and stop regarding development as a problem governments should solve.

Introduction

NEPAD has been heralded as a new dawn for Africa - the first time in history that Africa's leaders have collectively taken responsibility for the continent's development. But there is much scepticism.

Observers have been asking, what is so different about NEPAD? Why should the AU succeed where the OAU failed? And what is the difference between the two anyway?

The commitment of African leaders has also been questioned. Commentators argue that many African leaders do not seem to care about their own people, let alone those from other countries. Previous failed attempts at sub-regional cooperation are cited as reasons why something more ambitious has no chance of success.

Others doubt the commitment to accountability, with the fear that African leaders will not exercise the peer pressure that is critical to NEPAD's success. The self-interest fuelling the conflict in the DRC is frequently cited as the way things truly work on our continent.

But are these indictments fair?

Is NEPAD truly different? What are its chances of success? What are the keys to its success? What obstacles must be overcome? And what are the dividends we can expect if it works?

We asked more than 250 CEOs from East Africa for their views and in this report we present our findings. We received comments from 239 respondents in Uganda, Tanzania and Kenya, through face-to-face interviews conducted by an independent research company. CEOs were selected at random from a list of the top organisations in each sector of the economy including publicly listed companies, state owned enterprises, major subsidiaries of MNCs and large private companies.

But before we hear what the CEOs had to say, what actually is NEPAD? What are its goals? And how do our continent's leaders plan to achieve them?

What is NEPAD?

NEPAD has been described as a vision, a policy, a strategy, a plan, and an organisation. In some respects it is all of these.

The New Partnership for Africa's Development is a long-term vision of an African-owned and African-led development programme.

It is a pledge by African leaders 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 NEPAD policy document is a comprehensive integrated development plan that addresses key social, economic and political priorities in a coherent and balanced manner. The document was prepared by the leaders of Algeria, Egypt, Nigeria, Senegal and South Africa at the behest of the OAU. The strategy was adopted by the OAU in July 2001 and endorsed by the G8 leaders the same month.

The document provides a vision, clear goals, and a comprehensive strategy for Africa's sustainable development.

At the birth of the African Union (AU), NEPAD was officially recognised as the economic blueprint for Africa and was endorsed by the Heads of State. The highest authority of the NEPAD implementation process is the Heads of State and Government Implementation Committee and it is supported by a Steering Committee and a Secretariat responsible for its implementation.

What are NEPAD's goals?

NEPAD's long term objective is:

"To eradicate poverty in Africa and to place African countries, both individually and collectively, on a path of sustainable growth and development and thus halt the marginalisation of Africa in the globalisation process;

To promote the role of women in all activities"

Paragraph 67, NEPAD Policy Document

and its goals are

"To achieve and sustain an average gross domestic product (GDP) growth rate of above 7 per cent per annum for the next 15 years;

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;
- To enrol all children of school age in primary schools by 2015;
- 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 2005, so as to reverse the loss of environmental resources by 2015."

Paragraph 68, NEPAD Policy Document

African leaders recognise that these are no easy targets. Very few countries in the world, let alone in Africa, have sustained annual growth rates of 7% over any extended period of time. Getting the whole African continent to do it for 15 years, some would say, is impossible.

But the challenge has been recognised, which is a start. And the NEPAD strategy contains a comprehensive series of initiatives and action programmes across a broad spectrum of activity.

The NEPAD strategy

The NEPAD strategy focuses on three key areas:

The foundation stone

Establishing the bedrock for sustainable development through:

- improved peace and security
- improved democracy and political governance
- improved economic and corporate governance
- sub-regional and regional cooperation and integration

The building blocks

Prioritising reform and investment into key resources and sectors of the economy:

- Infrastructure, in particular ICT, energy, transport and water and sanitation
- Human resources, with a focus on poverty reduction, education, reversing the brain drain, and health
- Agriculture, to achieve food security
- The environment
- Culture, science and technology

The cement, to hold the blocks together

Mobilising resources to support the reform initiatives and the growth objectives, in particular:

- Enhancing capital flows by increasing domestic resource mobilisation, and reducing capital flight, enhancing debt relief, enhancing flows of Overseas Development Assistance and improving delivery systems, and increasing private capital flows
- Improving market access for African countries by diversifying production through reform of, and investment in, the agriculture, mining, manufacturing, tourism, export and services sectors, removing non-tariff barriers and harnessing the private sector in development

But what do our private sector leaders think of NEPAD?

Our survey

Whilst NEPAD is the brainchild of Africa's leaders, and whilst it will require their unswerving commitment for it to work, the future success of NEPAD rests squarely with the private sector. It is estimated that in the region of \$64bn per annum in Foreign Direct Investment, trade, debt relief and donor funding is required to meet the 7% growth target. The public sector, whether it is donors or African governments, simply cannot muster this level of funds. What they can do, and indeed must do, is create the environment for that level of investment – the foundation stone, the building blocks and the cement. But it is up to us, the private sector, in partnership with governments and funding agencies, to meet the challenge.

But, are we up to the challenge?

We asked 239 CEOs of East Africa's leading businesses what they thought of NEPAD, and what they thought of its chances of success.

For Africa's leaders, the results should make disturbing reading. The overwhelming view was one of scepticism. At the heart of this, it has to be said, was a lack of knowledge about NEPAD, and what it is supposed to achieve. More than a year on from its establishment, what has it done? Unless NEPAD makes its mark quickly, we fear, it could drown in a sea of cynicism.

We asked the CEOs the following questions:

- How likely do you think NEPAD is to succeed?
- What is necessary for NEPAD to succeed?
- What are the main challenges facing NEPAD? What are the reasons for these challenges?
- What will be the main benefits of NEPAD? What are the reasons for these benefits?

On whether NEPAD will succeed, the jury is out.

	%
Very likely	5
Likely	33
Neither likely nor unlikely	26
Unlikely	28
Not at all likely	4

Our interviews revealed a lack of clarity as to what NEPAD is all about. There was certainly little sense of "ownership", little sense that the success of NEPAD depends heavily upon the private sector.

Indeed, overwhelmingly, our CEOs believed that the success or failure of NEPAD rests with the African leaders themselves. And the majority felt that they are not up to the task.

When asked, "What is necessary for NEPAD to succeed?" 61% placed responsibility at the doorstep of the leaders.

What is necessary for NEPAD to succeed?

	%
Cooperation of political leaders	27
Consultation/ commitment between countries	16
Clean up corruption/ good governance/ leadership	11
Business minded leadership	7
Revise goals	7
Others	32

The comments we received provide vivid elaboration to these statistics.

“The leaders should look at what is good for Africa and not for themselves. They need to stick to principles and ethics, ask – what is the right thing to do.”

“Most African leaders are too focused on themselves to actually work together. They would prefer to work alone. They need to work together.”

“They need to be committed and not just talk but actually implement what they say.”

“The leaders should really be committed, not just attend meetings. If they implement just 5% of what they talk about, we could be way ahead.”

“African laws need to first learn to fight corruption if something like this is to succeed.”

“Create commitment in the African governments to internationally recognised norms of behaviour.”

“Participation, commitment, and sacrifices from national budgets from African nations involved.”

“Commitment from all the different players in NEPAD, and they should not serve the interests of South Africa only.”

“Until corruption is reduced substantially, all economies will not grow at the rate they could.”

Whilst one respondent recognised the importance of private sector leadership.

“Stop lip service and get committed. I do not believe in politically led but economically led.”

Concerning the barriers to success, our respondents were equally damning: 64% felt that poor or corrupt leadership, lack of agreement between leaders and national differences were the main barriers faced.

What are the main challenges facing NEPAD?

	%
Poor leadership/ corrupt leaders	27
Agreement/ acceptance of objectives/ policies between countries	20
National differences/ interests with regard to trade barriers	17
Preventing war/ conflicts	11
Lack of funding	6
Others	19

Reasons for the main challenges to NEPAD

	%
Lack of commitment from leaders and countries/no vision	30
Transparency/corruption/democracy/good governance	16
National differences/individual differences	12
No confidence in NEPAD/credibility/self regulating	9
Increasing understanding/changing attitudes	5
Others	28

And once again, the comments we received were revealing.

“Corruption has to be dealt with first and foremost.”

“The entire African continent is plagued with corruption.”

“Leaders should avoid being greedy.”

“Among the leaders, some will interfere with NEPAD. They might decide to use NEPAD funds for their own personal use and not meet the objectives.”

“Even if the funds are given by the donors, who says that the leaders will not steal them just as they have done with other funds?”

“African leaders are usually very corrupt. Who says they might not misappropriate donor funds?”

“It would be hard to eradicate corruption, it is already deeply entrenched.”

“We have seen projects like this initiated but those involved lacked commitment.”

“The leaders are not serious. Most of them are using NEPAD as a political tool for political means.”

“The personal interests of African leaders supersede the national interest of their people.”

Damning indeed.

And there was similar scepticism about where the money is going to come from.

“Where will they get the money? They should prioritise the most important sectors and then get funding for that.”

“Donors are not going to easily provide the funds for another African initiative. Where will they get the money from?”

“Where will they get the money? The donors are fatigued.”

“There is general fatigue. They won’t provide the funding for this initiative and the governments themselves don’t have it due to corruption.”

When asked the reasons behind these challenges, the theme of corruption continued, but also a

reinforcement of the concern over how priorities would be agreed between countries each with its own self interest.

“How will they prioritise development between the countries? How will they decide to go about implementation? Whose roads will they build first? Whose telecommunications networks will they improve first?”

“Each country has its own priorities and this might prevent integration.”

“It will take time to agree on the objectives of this initiative.”

“Each country has its own priorities – will they agree to forsake them for the sake of NEPAD?”

“Between African nations there are differences that influence objectives. How will they harmonise these differences and objectives?”

But it is not all doom and gloom.

If NEPAD could be made to work, our CEOs do see major benefits, although these do not necessarily mirror the main objectives of NEPAD.

What are the main benefits of NEPAD?

	%
Economic growth/economic focus	23
Increased trade worldwide/open up export markets	17
Improved governance/transparency/peace and stability	16
Poverty alleviation/uplift standards of living	11
Increased inter-regional trade/market co-ordination/ common market/expand regional market	11
Others	22

Reasons for the benefits of NEPAD

	%
Lower trade barriers/ harmonise tariffs	19
Unity of continent/ louder voice internationally	18
Economic growth	16
Good governance/transparency/political stability	13
Investment	8
Others	26

Interestingly, there is little mention of the social benefits of NEPAD that would flow from the economic benefits referred to. Perhaps it is assumed that these will take care of themselves?

The comments we received also reinforced the perception that the main benefits of NEPAD will be trade-related, both intra-Africa and with the rest of the world.

“With trade barriers removed, tariffs will be eliminated and this will lead to cheaper resources.”

“With improved infrastructure and trade barriers removed, intra-continental trade will increase.”

“The benefits will be lower investment barriers and possible sharing of capabilities, especially human resources.”

“In order to build a bigger trading block to exploit resources and expand trade, trade barriers and tariffs will have to be removed.”

“Barriers and tariffs will be harmonised to increase trade.”

“As a bigger bloc, NEPAD can now dictate some of the important issues that affect all Africans instead of the West dictating all the time.”

“When we take goods to the West, we have a stronger bargaining position through NEPAD.”

“NEPAD will increase the flow of private capital investment both locally and on a foreign level.”

“If NEPAD succeeds in developing the necessary infrastructure, investors from other parts of the world will be interested in Africa.”

Conclusion

The messages are clear.

The potential benefits of NEPAD are recognised by the private sector. But NEPAD needs to do a much better job of getting its message across. There is a lack of knowledge about what it is trying to achieve. And there is very deep scepticism that NEPAD is truly anything different, and that African leaders are willing and able to make it happen. But critically there also seems to be a lack of appreciation that this is the private sector's job too; that development is not just the responsibility of governments. The New Partnership is as much about public and private as it is about FDI, trade and aid.

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