



**FINAL REVIEW**

**UNITED NATIONS NEW AGENDA FOR THE DEVELOPMENT OF AFRICA**

## **Information Note:**

# **Funding for NEPAD — Africa still waiting for genuine ‘partnership’**

The main donor countries have declared Africa’s new development programme “a bold and clear-sighted vision.” They have pledged to provide greater support to the continent — from aid and debt relief to trade and investment — so that the New Partnership for Africa’s Development (NEPAD) can have a better chance of success than previous efforts. But as promise after promise seems to fade under closer scrutiny, Africans are still wondering what tangible support they will ultimately receive.

Months afterwards, the late-June summit meeting of the Group of Eight (G-8) industrialized countries no longer looks like the breakthrough for NEPAD that African leaders had anticipated. When they adopted NEPAD last year, they affirmed strongly that the main responsibility for Africa’s development lies with Africans themselves, and that they should work much harder to mobilize more resources from within the continent. But given the weakness of African economies and societies, they also recognized the need for more help — “partnership” — from abroad.

The leaders of the world’s eight richest countries maintained that the “Africa Action Plan” they adopted at their summit in Kananaskis, Canada, had laid “a solid foundation” for future cooperation. Nigerian President Olusegun Obasanjo thought it was “just a beginning.” More sceptically, Mr. Stephen Lewis, the UN’s special emissary for HIV/AIDS in Africa, wondered (in his personal capacity) if the promises

would turn out to be “orchestrated hype rather than reality.”

Much will depend on whether the commitments by both Africa and the G-8 are put into practice, said UN Secretary-General Kofi Annan. If they are, then Kananaskis “might come to be seen as a turning point in the history of Africa, and indeed of the world.”

Besides Mr. Obasanjo, three other African presidents travelled to the summit — Thabo Mbeki of South Africa, Abdoulaye Wade of Senegal and Abdelaziz Bouteflika of Algeria. It was the first time the G-8 had invited such participation from outside the exclusive grouping, and symbolized the degree to which international attention has been focusing more on Africa.

The African presidents went to Kananaskis with some justified hopes. A year earlier, at the G-8 summit in Genoa, the group had already signalled its strong interest in NEPAD. Then at a March 2002 UN-sponsored conference on financing for development in Mexico, several leading G-8 leaders, including UK Prime Minister Tony Blair and US President George Bush, proclaimed their desire for closer partnership with Africa, including through increased aid (see *Africa Recovery*, April 2002).

But in the weeks leading up to the 26-27 June Kananaskis summit, the limitations of that support became increasingly evident. Not only did the aid



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pledges still fall far short of Africa's financing needs, but they would scarcely make up for the steady decline in aid to Africa since the mid-1990s. Any new money, moreover, would be highly conditional and restricted to those countries that meet the G-8's political and economic criteria.

Against this backdrop, African presidents did not go to Kananaskis looking for a "magic wand from our development partners," said President Obasanjo. "We are keeping our expectations to realistic levels."

The African leaders also knew that there would be other opportunities to promote their case internationally. As President Mbeki and Mr. Annan emphasized, the World Summit for Sustainable Development in Johannesburg would provide an occasion to further spotlight Africa's concerns. So would the UN General Assembly session a few weeks later, at the end of September, to review the decade-long UN New Agenda for the Development of Africa in the 1990s.

#### **Endorsement of NEPAD**

As anticipated, the G-8's Africa Action Plan did give a strong stamp of approval to the NEPAD programme. To support its objectives, each G-8 country pledged to establish "enhanced partnerships with African countries whose performance reflects the NEPAD commitments."

The Africa Action Plan carefully specified that each G-8 country would individually make its "own assessments" of the NEPAD programme and which African countries to support. This established that none of the G-8 members would feel bound by the specific priorities highlighted in NEPAD — or even by the action plan itself.

Overall, the G-8 plan selected certain parts of NEPAD for special emphasis, most notably those relating to good governance and peace and security. The need for significant new public and private investments in roads, railways, air transport, energy networks and other physical infrastructure — a very prominent element in NEPAD — was scarcely mentioned. The

need to diversify African economies — so that they can produce and trade a wider variety of goods — was another NEPAD priority that was passed over.

By contrast, the G-8 enthusiastically welcomed the decision of a number of African governments to develop a "peer review" mechanism, which it considered "an innovative and potentially decisive element" in NEPAD. Under such a process, promoted by NEPAD's 15-country Implementation Committee, African leaders would review and assess each other's conduct according to defined standards of good governance and economic performance. African governments, however, have not yet agreed on those standards, and some remain highly sceptical of the very concept of peer review.

#### **New strings**

One reason for African caution is fear that donors may use adherence to the peer-review standards as another way of attaching yet more conditions to their support. The G-8 plan did in fact declare that the "peer-review process will inform our considerations of eligibility for enhanced partnerships." Some support will also be extended to countries that "do not yet meet the standards of NEPAD," but are seen to be moving in that direction. However, the G-8 added, it would not work with other governments, except to alleviate humanitarian emergencies.

With many Africans already becoming resentful of the numerous conditions attached to donor assistance — in ways that sometimes seem contradictory or arbitrary — such explicit affirmations from the G-8 helped fuel further debate around NEPAD during the inaugural summit meeting of the African Union in Durban less than two weeks later. The outspoken Libyan leader, Colonel Muammar el-Qaddafi, received some applause from the heads of state when he declared, "We accept help, but we refuse conditions. We are not beggars."

Previously, President Obasanjo similarly warned that "we must guard that NEPAD is not being turned against us as a tool for new conditionality."



The effusive praise of NEPAD by the G-8 and other donors also has aroused suspicion among African civil society organizations. In April, a joint declaration by the Council for the Development of Social Science Research in Africa and the Third World Network-Africa maintained that despite NEPAD's claim that it is African in origin, "its main targets are foreign donors, particularly in the G-8." As a result, it said, there is a "neo-liberal economic policy framework at the heart of the plan."

#### **How much more aid?**

Shortly after the G-8 summit in Genoa last year, African leaders said they would come to Canada with a list of NEPAD projects for which they would seek concrete donor commitments. As an example, President Mbeki cited plans for an extensive regional hydroelectric scheme at the Inga Falls, on the Congo River.

By the time of the Kananaskis summit, however, the notion of project financing had been dropped, amid indications that some donors were reluctant to make such specific pledges. No new fund would be set up for Africa, Canadian Ambassador to the UN Robert Fowler announced on the summit's eve. The G-8, he said, would not take up "projects to be carried out by countries or groups of countries, but only broad directives."

Canada was active before the summit in trying to get other G-8 members to make significant new aid commitments. Canada itself pledged C\$500 mn (US \$330 mn) for Africa, and UK Prime Minister Tony Blair told aid agencies just before his departure for Kananaskis that his government would increase annual aid to Africa to £1 bn (\$1.4 bn) by 2006 (compared to around £780 mn in 2000).

According to news reports, the leaders of Germany, France and Italy also were open to the idea of a major G-8 commitment, but the US, Japan and Russia felt they could not pledge more than they already had, partly because of domestic economic difficulties. US officials, for example, said that previously announced initiatives to provide \$500 mn to stop mother-to-child

transmission of HIV/AIDS globally and \$100 mn for education in Africa should be regarded as part of the US support for the Africa Action Plan.

The plan itself repeated the donor commitment during the Mexico conference to collectively provide \$12 bn more in annual aid by 2006. Each G-8 member would decide on its own how to allocate that additional money, the plan said. But it added: "Assuming strong African policy commitments, and given recent assistance trends, we believe that in aggregate half or more of our new development assistance could be directed to African nations that govern justly, invest in their own people and promote economic freedom."

In other words, the most Africa can expect from the G-8 would be an additional \$6 bn annually (by 2006). This would represent a notable increase over the \$12.7 bn sub-Saharan Africa received in 2000, but would still not reach the peak level of \$18.9 bn in 1994, unless other donors also contribute more.

The NEPAD programme estimates that for Africa to achieve 7 per cent annual economic growth and reduce the number of people living in poverty by half by the year 2015, the continent will need to fill an annual resource gap of about \$64 bn. Much of that can be mobilized domestically, NEPAD's advocates argue, through increased export earnings and foreign investments and by reversing the flow of capital flight. But some African leaders were also hoping to receive \$10-12 bn more a year in aid.

Despite their economic difficulties, the G-8 countries demonstrated an ability to mobilize considerably more money if the priority is high enough. During the Kananaskis summit, they collectively pledged \$20 bn to help Russia dismantle its nuclear arsenal and another \$20 bn to fight terrorist groups.

Commenting on the difficulties of raising funds to combat AIDS in Africa and elsewhere, Mr. Lewis asked, "Why is the war against terrorism sacrosanct, and the war against AIDS equivocal?"



### **Debt: business as usual**

The section of the G-8 plan devoted to debt relief is among the shortest in the document. It focuses entirely on the Heavily Indebted Poor Countries (HIPC) initiative, launched by the World Bank and the International Monetary Fund (IMF) in 1996. It notes that under HIPC, 22 African countries that currently qualify will eventually receive a reduction of about two-thirds of their total debt burdens.

African countries have generally welcomed HIPC, but argue that it is too limited in scope and too slow in delivering concrete relief. As of December 2001, only 10 HIPC countries had part of their actual debt servicing suspended, and of those, only four had major portions of their debts effectively cancelled by April 2002.

The only new element in the Africa Action Plan was a pledge that the G-8 countries “will fund our share” of the shortfall in the HIPC Trust Fund. Set up as a way for donors to help HIPC countries write down debts owed to the World Bank and IMF, the fund is about \$1 bn short of current needs.

At the summit, President Obasanjo suggested that Africa expected more and would regard action on debt as a “yardstick” by which to judge G-8 commitment. “While we are not asking for wholesale cancellation of all debts,” he said, “we appeal to you, in the name of the partnership which we are aiming to build, and for the sake of common humanity, to examine the debt issue and deal with it on a case-by-case basis.”

African anti-debt campaigners were more critical. Jubilee South Africa representative Neville Gabriel, speaking in Kananaskis, said the G-8 plan reflected no breakthrough on debt. Noting that HIPC had so far reduced only about one-fifth of eligible debt, he declared bluntly that the initiative “has failed.” Both he and Ms. Njoki Njehu Njoroge, who heads the Washington-based 50 Years Is Enough Network, called for outright debt cancellation.

### **For a ‘fairer trade regime’**

Repeatedly, African leaders have insisted that they do not want to remain perpetually dependent on foreign aid or on loans that only generate more debt. Africa is resolved “to turn away from the begging bowl,” President Mbeki stated on the eve of the summit. One of the best ways to do so, Africans argue, is to earn more from exports.

Unfortunately, world prices for many of the crops, minerals and other primary commodities that the continent sells abroad have fallen drastically over the past decade. Both raw materials and finished goods produced in Africa encounter numerous obstacles in gaining access to the most lucrative markets in the North.

At Kananaskis, President Mbeki and his colleagues continued to press for greater market access for African products. The G-8 pledged to do so, but made no new proposals. It pointed mainly to the ongoing negotiations within the World Trade Organization (WTO) and promised to take into account “the particular circumstances, needs and requirements of developing countries, including in Africa.”

This included a G-8 commitment to “substantial reductions in trade-distorting domestic support” in the developed countries themselves. Such subsidies, particularly in agriculture, tend to depress world market prices and make it extremely hard for African farmers to compete globally.

The European Union, however, has been resisting calls to scale back its very high support payments to European farmers. And the month before the G-8 summit, the US steeply increased its own farm subsidies. Currently, the US subsidizes each farmer an average of \$21,000 per year, while the EU provides about \$16,000, many times the annual per capita incomes of farmers in Africa and other developing countries.

“How in God’s name can you promise a liberalized trading regimen on the one hand, while promulgating



[such high] domestic agricultural subsidies on the other?”, asked Mr. Lewis. “You effectively deliver a message to Africa that the new round of trade talks under the WTO are a Machiavellian illusion.”

In Burkina Faso, one of West Africa’s foremost cotton exporters, Agriculture Minister Salif Diallo declared in late July, “As long as Northern farmers continue to be subsidized in this way, we cannot compete on the world cotton market.” Just a few days before the G-8 summit, the president of that country’s main cotton farmers’ association, François Traoré, said that as long as Northern countries subsidize their farmers, “they should stop talking to us about the struggle to reduce poverty,” since such subsidies “contribute greatly to the deterioration of our incomes.”

In light of such difficulties, President Mbeki argued that “fashioning a fairer trade regime” will be just as important as redefining the aid system, if Africa’s NEPAD programme is to have a real chance of success.

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