



How NEPAD can engage with Poverty Reduction Strategies: Developing an appropriate framework

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Introduction

The continued existence and recurrence of poverty in Africa has been an issue of concern to national governments, international development agencies such as the United Nations, NGOs, development assistance organizations and civil society in the developing world. In the 1990s, Oxfam, UNICEF and UNDP took an approach shift in their fight against poverty from based on beneficence to one based on human rights. The UNDP has over the years documented the incidence and magnitude of poverty across the world.¹ It has consistently taken up poverty as a central issue of concern. Africa houses one third of the world's poorest people, it has 75% of the world's people living with HIV/AIDS, it has a foreign debt of more than \$170billion and pays creditors at least \$40million a week and its unemployment level is above 35%.

At its General Assembly held in September 2000 in New York, 189 countries endorsed the Millennium Development Goals (MDGs), and these goals focus on poverty reduction. Earlier on in 1995, the Social Summit at Copenhagen saw many world leaders making a commitment towards reducing poverty in their respective countries by year 2000. More recently, African countries have come up with the New Partnership For Africa's Development (NEPAD) whose primary focus is to promote growth and development and to reduce poverty in Africa.

NEPAD is the latest effort by African leaders to do something at continental level in order to address Africa's economy that is highly fragile, facing greater marginalization. It is an attempt to respond to the new world order by ensuring that democratic structures and economic markets are geared for globalisation. It is also a response to the Millennium Declaration to tackle poverty and half it by 2015.

On the other hand, Poverty Reduction Strategies (PRS) now embodied in the PRSPs, consist of a country's vision, strategic objectives, goals and targets for the reduction of poverty within a given time frame.² In Africa, five countries have completed PRSPs namely, Burkina Faso, Uganda, Mauritania, Mozambique and Tanzania. In most cases the Poverty Reduction Strategies have been turned into Poverty Reduction Strategy Papers. This has been the case with Uganda's Poverty Eradication Action Plan (PEAP), Tanzania's National Poverty Eradication Strategy (NPES) and Mozambique's Action Plan For the Reduction of Absolute Poverty (PARPA).

According to the World Bank, these documents describe a country's plan for macroeconomic, structural, and social policies for three-year economic structural adjustment programs to foster growth and reduce poverty, as well as associated external financing needs and major sources of financing. Poverty Reduction Strategies had given weight to public sector investment and the role of the informal sector but Poverty Reduction Strategy papers have laid emphasis on the private sector as the engine for growth. World Bank thinking on poverty reduction strategies are most aptly articulated in the World Development Report 1990 and the 1991 policy paper on Assistance

¹ See UNDP Global Human Development Reports 1995-2000; and UNDP Poverty Report 2000.

² International Monetary Fund: About Country Policy Intention Documents.

Strategies to Reduce Poverty and the Operational Directive 4:15 which was issued in December 1991. In these papers, the Bank highlighted the need to:

“support policies that promote broad-based, labour-intensive growth, investments in human capital, and the provision of safety nets for those unable to share in the benefits of growth.”³

In 1996, the Strategic Compact re-emphasized the importance of rural development, and focused attention on social development-the role of institutions, social exclusion, social capital and warned about vulnerability of poor households and communities to shocks.

NEPAD has a number of stunning goals. They are essentially the Millennium Development goals:

- an annual growth rate of 7% for fifteen years;
- cutting poverty in half by the year 2015; reduce
- infant mortality rates by two-thirds;
- reduce maternal mortality rates to three-quarters of what they were before;
- have every child
- enter school who is eligible, thereby re-enforcing the principle of
- gender equality.

As a CSO we commend our leaders for their courage and foresight. NEPAD is a unique initiative, African driven, African owned, African led, a renewal and development but has some problems we must address if poverty reduction is going to be realized in Africa

In order to fully understand the trade, aid and debt concerns of NEPAD one needs to critically look at NEPAD's diagnosis of Africa's problems. NEPAD believes that Africa's poverty /malaise of underdevelopment and exclusion from the globalising world emanates from the following:

1. NEPAD acknowledges that there are historical causes to Africa's poverty (paragraph 18) but it hastily points out that these per se are not the real problems-colonialism, cold war and the continuous imbalance of international economic system
2. NEPAD rather goes on to argue that Africa's poverty is not purely economic but also political. That is, Africa at independence inherited a 'weak capitalist class' and 'dysfunctional economies' which have resulted in today's 'economic decline' and 'poor governance' characterized by corruption and patronage. As if this is not enough, Africans themselves do not own the development strategies in the continent.
3. Due to the above problems Africa has not been able to 'compete effectively' in the globalising markets due to absence of fair and just global rules. NePAD however, does not propose a

³ World Bank (op.cit), p 35

solution to the fair and unjust global rules but rather prefers to leave the matter to the international system to decide. NePAD fails to give an alternative to the dominant market fundamentalist development model. THIS IN MY VIEW IS THE GREATST WEAKNESS OF NePAD.

4. The second weakness is that NePAD argues that there is a resource gap in Africa and Africa must depend on foreign capital (paragraph 153). The foreign capital must come in the form of Direct Foreign Investment (FDI). Will remain to this latter in the document.
5. The third weakness is that NePAD will seek ‘the extension of debt relief with ‘costed poverty reduction outcomes’ plus ‘ increased ODA flows in the medium term as well as reform of the ODA delivery system’ to ensure that flows are more efficiently utilized by recipient African countries (see paragraphs 148-9). NePAD speaks of debt relief instead of debt cancellation and reparations to give the African continent an economic start .
6. Poverty in NePAD is a secondary focus area with long term and indirect mechanisms put as strategies for poverty reduction. However, these have been tried in the past through SAPs and has failed.
7. Overall, NePAD fails to make clear proposals to address uneven power relations between Africa and the developed world which is actually the root of its marginalization and poverty. This will remain as the biggest obstacle to Africa’s development. The issue of reparations for slavery, colonization and apartheid are not mentioned.
8. The quest for foreign capital tend s a blind eye to the consequences of privatization-poverty and inequality.

Put simply NePAD considers debt reduction and ODA as ‘complementary external resources required in the short to medium term’ and ‘addressed private capital flows as a longer –term concern’

NEPAD’s Solutions to Africa’s Underdevelopment and Poverty

1. The proposed solutions are nothing but a mere replica of **the elements of the Washington Consensus driven by the IFIs under an African dressing**. NEPAD fails to learn from the past drastic effects of the IFIs’s polices particularly the IMF and World Bank’s macroeconomic prescriptions for economic recovery like Structural Adjustment Programmes (SAPs) and market-based approaches to economic growth. Its focus on the private sector as the engine of growth falls short of realistic solutions to resolve the discrepancy between *sound macroeconomic policies* and *sound sustainable development*. African economies have increasingly become highly vulnerable to the disproportionate power of large transnational companies that maximize their advantage when they invest, typically taking very little account of the economic, social and environmental impacts of their activities.
2. NEPAD is very clear with whom new partnerships should be sought and quite vague on what type of partnerships Africa should be struck with the rest of the world. It is important not to

forget that Africa is already in some form of partnership with the North except that the current partnership is characterised by hypocrisy on the part of the developed countries, a 'win-lose' approach through unequal power imbalances clearly depicted in the unequal trading relations between the developed and the developing world, in resolving Africa's debt crisis, and the many conflicts and wars around the continent. For sure the type of new partnership NEPAD is looking for is embodied within the World Bank's 'comprehensive development framework', which implies that specific conditionalities will continue being linked to ODA and debt reduction. Such conditionalities not only impose measures that are detrimental to the poor, they also endanger national sovereignty and ultimate goal of vertical accountability of elected African leaders to citizens.

A more focus analysis and linkage of NEPAD and poverty reduction strategies entails looking at the key issues of aid, debt and trade which have a direct impact on poverty reduction and sustainable development:

Aid

Historically, aid in Africa has been used to fill the savings gap. NEPAD offers good governance for aid.

Points to consider:

- Despite massive aid, massive conditionality of aid Africa has failed to achieve significant progress for its population.
- The system as a whole is dysfunctional. Why?
 - (a) Independent policy-making and national economic management has considerably diminished and narrowed (see A. Adejeji, 1995)
 - (b) There are so many ulterior motives that go with donor monies/ODA. Many Individuals have noble motives and achieve impossible things in their interaction across the donor-recipient table. One need ask why conditionalities have been violated and aid continues to flow into Africa. A case in point is the Bretton Woods institutions' denial of PRSP for Kenya on the ground of corruption. Somehow, President Moi managed to woo back the Bretton Woods institutions and the PRSP. In this case one may as well argue that aid is good governance-averse.
 1. ODA has been good for donor agency/staff survival, livelihoods and careers.
 2. ODA increases the dependency syndrome for Africa making its governments less accountable to their own people and stretching themselves to please the donor. The borrower will always remain a servant of the lender.
 3. ODA has contributed to Africa's high levels of indebtedness. It has been well documented that for every dollar from the donors about \$13 goes back to the North in form of debt service.

It is therefore unwise for NEPAD to put its faith in ODA as the solution to the economic woes bedeviling the continent.

Debt

Debt hampers development and widens the gap between Africa and the developed world.

For most African countries (out of 41 heavily indebted poor countries 33 are in Africa), debt service consumes twice than health and education costs.

NEPAD should therefore have started with a call for debt cancellation and not more debt relief and ODA that leads to more indebtedness. It's immoral and scandalous for the North to speak and advocate for partnership when Africa is incapacitated with debts. Debts will continue to be Africa's stumbling block, the only way to have a fresh start was to let creditors and debtors assess debt sustainability and cancel all un-payable debt. The management of external debt in Africa should be a priority for Africa's development.

UNCTAD (2001) noted that for Africa to reduce a dependency future it needs an additional \$10billion a year in official flows (aid) and highly concessional loans.

Trade

Seeking foreign private capital to develop social services and infrastructure in Africa is likely to subvert human rights of our people.

- NEPAD fails to recognize that liberalization and open economy is forced upon Africa in the name of partnership. The 4th WTO Ministerial Conference at Doha is ample evidence to this.
- NEPAD is leaning towards creating conditions for the North to worsen Africa's condition more than the structural adjustment programs (SAPs). Neo-liberalism seems to take center-stage in NEPAD- open economy, good governance, partial measures of debt relief, increased aid and conditionalities, and a promise for greater access to Northern markets.
- NEPAD seem to forget that none of the SAPs implemented in African countries managed to have a good social fund proving adequate to fill the social gap. Thus, even in NEPAD inadequate attention to the social needs of the people still remains a thorn in the flesh for many African communities.
- NEPAD risks the lives of African people, their access to basic essentials of life by its clamour for foreign investment especially FDIs.

Recommendations

1. There is need to assess debt sustainability and cancel un-payable illegitimate and odious debts, if the partnership in NEPAD is to foster development and reduce poverty in Africa. A

transparent and fair debt arbitration system through the United Nations is most ideal. AFRODAD is working on this initiative.

2. The unjust and unfair international system and rules need to be revisited, so as to make Africa a beneficiary of such. There is need for corrective changes to the international financial system if NEPAD is to tackle poverty.
3. Current arrangements and procedures, especially TRIPS and subsidies for the Northern farmer need review if the partnership in NEPAD is genuine.
4. Serious barriers on the access to the Northern countries' markets
5. African governments and policy-makers need to get their domestic policies right especially on agriculture, trade, finance etc and not just seek to channel more resources to education and health and other social services.
6. There is need to give higher priority to social investment if NEPAD is to work as one of the poverty reduction initiatives. The issue of reparations should be part of the deal if true partnership is to be seen in NEPAD and Africa is to have a fresh start.

Conclusion

NEPAD is a noble idea with good intentions but we need to make it self reliant in practice and not confuse it with ODA monies. African leaders must first pledge basic social services to their people as rights and not privileges.

Let us not have any illusions. The problems of abject poverty and underdevelopment in Africa are difficult to solve not because the solutions are not there but because Africa governments are not addressing the sole cause of poverty in NEPAD- the debt overhang and unfair international financial systems. NEPAD will have far less impact on poverty reduction and impact on the African people until these issues are brought to the fore and discussed within the framework of NEPAD.