

THE RESOURCE MOBILISATION STRATEGY
(RMS) OF THE NEW PARTNERSHIP FOR
AFRICA'S DEVELOPMENT (NEPAD):
A CRITICAL APPRAISAL

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Contents

Executive Summary	5
1. Introduction	6
2. Overview of NEPAD.....	6
3. Conceptual Framework of RMS of NEPAD	9
3.1. The Capital Flows Initiative.....	12
3.2. The Markets Access Initiative (MAI).....	13
4. Critical Appraisal of RMS of NEPAD	13
4.1. Capital Flows Initiative.....	19
4.2. The Market Access Initiative (MAI).....	34
5. Towards Alternatives.....	36
5.1. Improve Fiscal Management.....	37
5.2. Strengthen financial and capital markets	37
5.3. Decentralisation and Role of Community-based Institutions	38
5.4. Improving Access to Markets	40
6. Conclusions and Recommendations	40
References	43

Acronyms/Abbreviations

CFI-Capital Flows Initiative

FDI-Foreign Direct Investment

HIPCs- Highly Indebted Poor Countries

IBRD- World Bank

IMF-International Monetary Fund

MAI-Market Access Initiative

NEPAD-New Partnerships For Africa's Development

ODA-Official Development Assistance

PRSPs- Poverty Reduction Strategy Papers

RMS- Resource Mobilisation Strategy

SAPs- Structural Adjustment Programmes

WTO-World Trade Organisation

UNDP- United Nations Development Programme

UNECA- United Nations Economic Commission For Africa

THE RESOURCE MOBILISATION STRATEGY (RMS) OF THE NEW PARTNERSHIP FOR AFRICA'S DEVELOPMENT (NEPAD): A CRITICAL APPRAISAL

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Executive Summary

This paper is about the Resource Mobilisation Strategy (RMS) of the New Partnership For Africa's Development (NEPAD). It presents a summary of what the strategies are and assesses the feasibility for Africa to mobilize the required US\$ 64 billion dollars required for the Initiative.

The paper is critical of the RMS. First, it argues that the experience of Africa since the 1970's has shown the limitations of the Neo-Liberal approach to development. The ideological and conceptual underpinning behind the RMS, in a global environment where power relations between Africa and the North are highly unequal, is considered unrealistic and naïve. Access to markets for Africa's goods remains limited due to barriers engineered under WTO and other international mechanisms of perpetuating the status quo.

The Capital Flows Initiative (CFI) of NEPAD appears oblivious of the harsh realities where in recent years, Africa has only managed to attract the smallest amount of flows. It also seems to ignore the potential pitfalls for countries to rely on private capital flows of the type which sunk most Asian countries into a financial crisis in the recent past. The danger posed by the anti-poor conditionalities of some of the forms of finance cannot be ignored particularly in view of the central goal of NEPAD which is to reduce poverty, in line with the Millennium Development Goals of the United Nations.

The paper recommends that Africa should intensify efforts and rely more on domestic mobilization of resources. To do that successfully, it needs to identify the underlying causes behind the poor performance in terms of mobilizing local resources through for example, the fiscus, domestic financial and capital markets etc. Priority should be to improve governance, accountability and transparency in all spheres of central and local government, the corporate sector and community levels.

A more inward looking approach to resource mobilization should not be interpreted to mean total exclusion of external sources of capital. Rather, in view of the historical record, Africa needs a more selective approach which ensures consistency with its own development agenda.

1. Introduction

The New Partnership for Africa's Development (NEPAD) is (according to the October 2001 version),

“a pledge by African leaders, based on a common vision and a firm and shared conviction, that they have a pressing duty to eradicate poverty and to place their countries both individually and collectively, on a path of sustainable growth and development.”

NEPAD addresses some real and pertinent issues on Africa's development, for example:

- The problem of poverty which is evidenced by the fact that
 - about half of Africa's 340 million people live on less than US\$1 per day.
 - 58 percent have access to safe water
 - 41 percent of the over 15 age group are illiterate.
- Low GDP growth and unequal distribution
- Unsustainable growth

2. Overview of NEPAD

NEPAD central goal is to eradicate poverty by helping Africa to achieve a path of sustainable growth and development. Specific goals of the initiative are based on the Millennium Development Goals (MDGs) of the United Nations¹. It is important to restate the MDGs as they shall be useful for the appraisal of NEPAD. The MDGs are as follows:

1. Eradicate extreme poverty and hunger

¹ At the United Nations General Assembly held in September 2000 in New York, 189 countries endorsed the Millennium Development Goals, which have now become the accepted blueprint for poverty reduction for the period 2000-2015.

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

The Millenium Summit also confirmed the global community's readiness to support Africa's efforts to address what NEPAD refers to as 'the continents' underdevelopment and marginalisation' (NEPAD document, p 10). The Summit declaration were also viewed by African leaders as 'the global community's commitment to enhance resource flows to Africa, by improving aid, trade and debt relationships between Africa and the rest of the world and by increasing capital flows to the continent.' NEPAD argues that, 'that global commitment should now become a reality' (p 10, para 46)

The major objective of NEPAD is to promote Africa's development by intensifying efforts to mobilise resources for development of the following priority sectors and areas:

- Infrastructure-especially information and communications technology (ICT) and energy
- Human Resources (education, skills development and reversal of brain drain from the continent)
- Health
- Agriculture
- Access to markets for Africa's exports; enhancing competitiveness
- Structural diversification

In terms of the MDGs, obviously, the focus of NEPAD does not go far enough. However, this was a deliberate decision on the part of the African Heads of State who designed the NEAP. The thinking was that because previous initiatives such as for example, the Lagos Plan of Action were too broad in scope (and therefore became difficult to implement), NEPAD should focus on a much narrower range of achievable or feasible objectives. The areas of infrastructural development, agricultural development, capacity building of human resources, improvement of health services, access to markets, were selected as priority areas of focus.

NEPAD aims to achieve and sustain an average gross domestic product (GDP) of above 7% per annum for the next 15 years

In order to achieve its goal to reduce by half the proportion of African's living in poverty, NEPAD estimates that there is a need to fill an annual resource gap of 12% of its GDP or USD64 billion, thus necessitating increased domestic savings and improvements in public revenue collection systems, but still observes that the bulk of the resources will still have to be mobilized from outside the continent.

NEPAD states its core themes which indicate the basic conditions for sustainable development. These are:

1. Peace, security and democracy Initiative

There is a recognition that conditions of peace and security as well as the strengthening of democratic institutions and processes are critical for Africa's growth and development. NEPAD will promote this initiative for the success of the programme.

2. Political Governance Initiative

The initiative focuses on two critical areas:

- a. The introduction and strengthening of policy frameworks for enhanced private sector participation in development
- b. The building of capacity in order to improve public financial management.

NEPAD recognizes that the task it proposes is a mammoth one. In that regard, it emphasizes that

“What is needed is a commitment on the part of governments, the private sector and other institutions of civil society, to the genuine integration of all nations into the global economy and body politic.” (p 8, para 4).

Clearly, the conceptual framework of NEPAD consists of a development strategy based on global interdependence. Its resource mobilisation is crafted within a global financial architecture which rewards good socio-economic management.

In this regard, NEPAD proposes a resource mobilization strategy (RMS) through the Capital Flows Initiative (CFI) and Market Access Initiative (MAI).

3. Conceptual Framework of RMS of NEPAD

NEPAD: Proposed Resource Mobilisation Strategy (RMS)

The resource mobilisation approach of NEPAD is as follows:

‘What is required to mobilise these resources and to use them properly, is bold and imaginative leadership that is genuinely committed to a sustained human development effort and poverty reduction. P1

The RMS of NEPAD are synthesized in Figure 1.

Figure 1 depicts the resource mobilisation strategy proposed by NEPAD. The approach is two-pronged:

1. The Capital Flows Initiative (CFI)
2. The Market Access Initiative (MAI)

The CFI has four key components, namely:

- Increasing domestic resource mobilisation
- Debt relief
- Official Development Assistance (ODA) reforms
- Private Capital Flows

The MAI has eight key components:

- Diversification of production
- Mining
- Manufacturing
- Tourism
- Services
- Private Sector development
- Increase in Africa's exports
- Removal of barriers to trade

Figure 1: Resource Mobilisation Strategy Proposed in the NEPAD

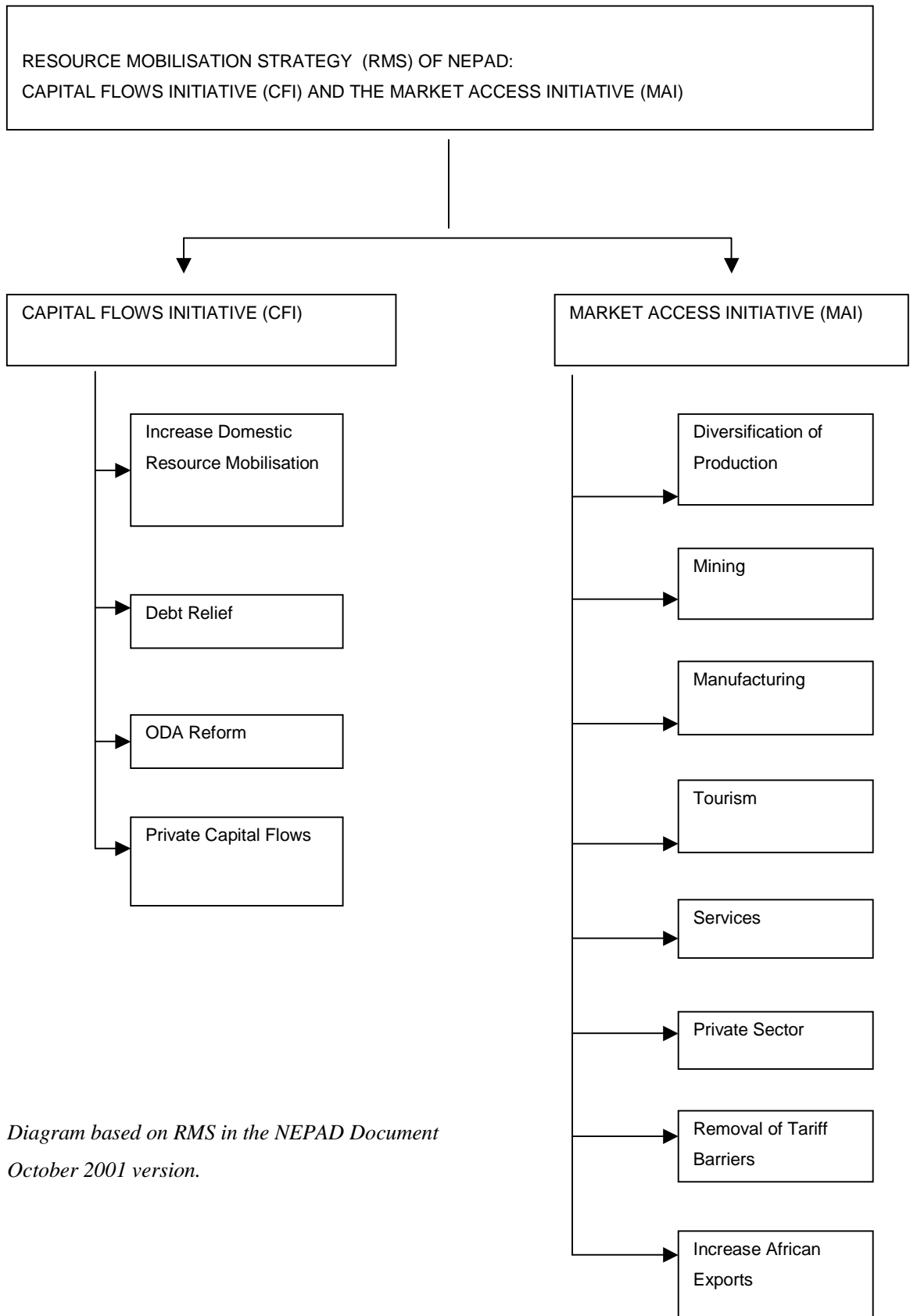


Diagram based on RMS in the NEPAD Document
October 2001 version.

3.1. The Capital Flows Initiative

This consists of four components as indicated above:

a. Increasing domestic resource mobilisation

This shall be achieved through the following methods:

- increasing national savings by firms and households
- effective tax collection
- rationalisation of public expenditures
- arrest capital flight by making African economies more attractive for retention of wealth.
- creation of Special Rights For Africa (SDRA)

b. Debt Relief

This strategy intends to extend debt relief to African countries. NEPAD supports the linking of debt relief to poverty outcomes. It advocates debt service ceilings and for different ceilings between IDA and non-IDA member countries. African governments will negotiate with creditor governments, and institutions such as the Paris Club. NEPAD emphasizes the condition that debt relief should be made conditional to compliance to economic governance conditions set in the plan.

c. ODA Reforms

The strategy proposes:

- Reform of ODA delivery system for more efficient utilisation of resources
- Creation of an ODA Forum of African countries so as to establish an African position on ODA reform and dialogue with OECD/DAC and other donors
- Establishment and adherence to an Economic Governance Initiative as a base for utilising ODA flows
- A monitoring mechanism
- Creation of a PRSP Learning Group which will engage in the PRSP process together with the IMF and IBRD.

d. Private Capital Flows

NEPAD proposes an increase in private capital flows to Africa for sustainable long-term approach to filling the resource gap. Specific proposals to achieve this goal include:

- Address investors' perceptions of Africa as a high risk continent. This can be achieved by

- promoting peace and security
 - improving governance
 - development of infrastructure
 - reduction of poverty
 - putting in place interim risk mitigation measures (credit guarantee schemes and strong regulatory and legislative frameworks)
- Implementation of a Public-Private Sector Partnership (PPP) Capacity Building Programme through the African Development Bank and other regional development institutions.
 - The purpose of the PPP is to assist national and sub-national governments in structuring and regulating transactions in the provision of infrastructural and social services.

3.2. The Markets Access Initiative (MAI)

NEPAD specifies in detail, the specific objectives and strategic actions behind the MAI. Table 1 presents a summary of the key objectives and strategic actions envisaged under the MAI.

NEPAD further indicates as part of the MAI,

- assessment of the scope for further liberalisation in manufacturing, given the concentration of access in low value added activities with the greatest economic growth potential.
- Discretionary preferential trade system for intra-African trade.
- Alignment of domestic and regional trade and industrial policy objectives to increase intra-regional trade.

4. Critical Appraisal of RMS of NEPAD

4.1. Conceptual/Ideological framework of RMS of NEPAD:

‘New wine in Old Bottles?’

In order to appraise the RMS of NEPAD more objectively, it is important to understand the conceptual and ideological framework within which the strategies are proposed.

Table 1: The Market Access Initiative (MAI) of NEPAD: Key Objectives and Strategic Actions

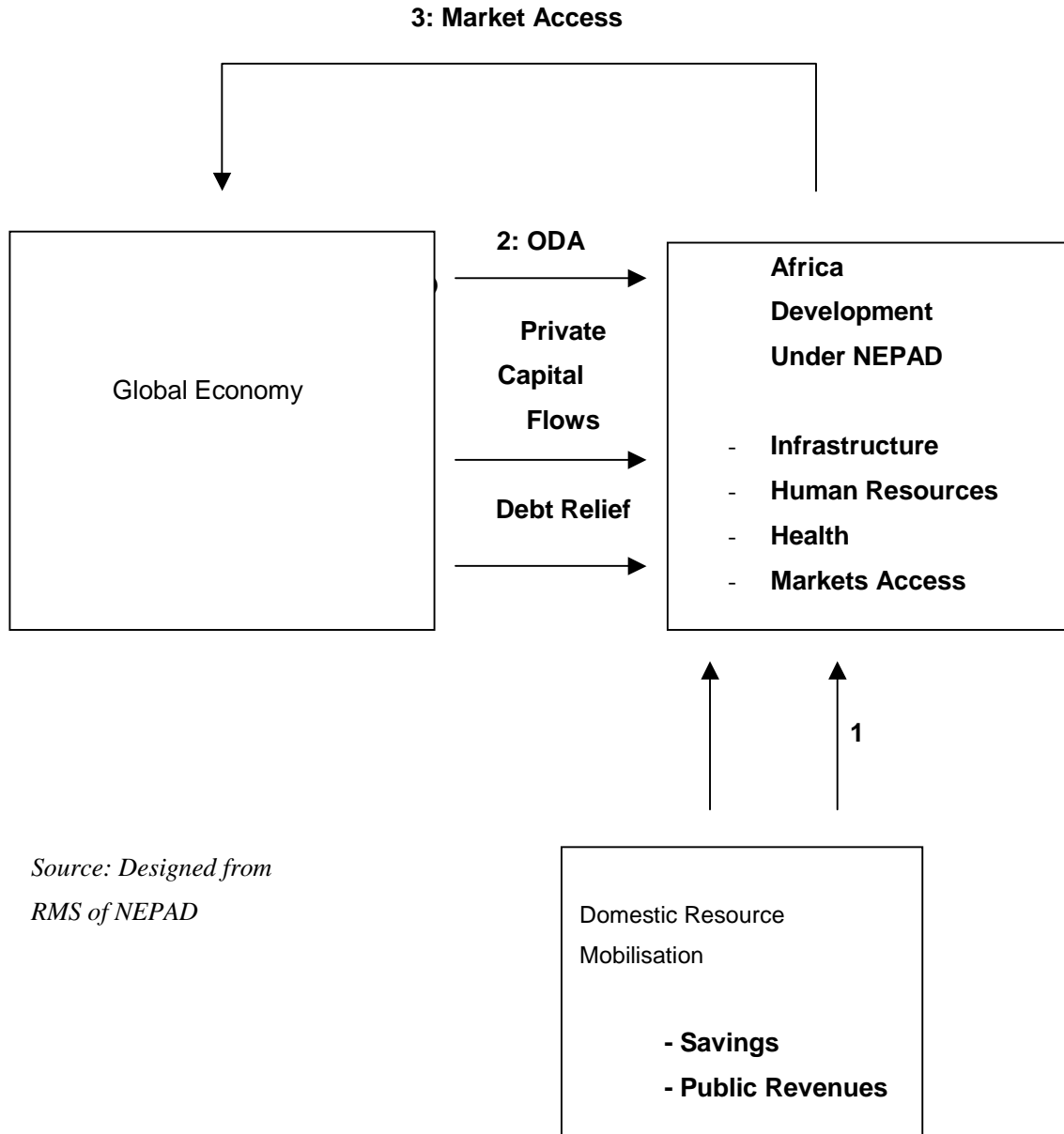
Strategic Initiatives	Key Objectives	Strategic Actions	
		Africa Level	International Level
i. Diversification of Production	<ul style="list-style-type: none"> ▪ Shift from primary to processed exports in order to enhance value added (VA) in Africa's exports ▪ Support private enterprise growth ▪ Promote SMEs and microenterprise development ▪ Removal of constraints to business via entrepreneurial development ▪ Enhance food security ▪ Improve productivity 	<ul style="list-style-type: none"> ▪ Development of irrigation to improve water supply ▪ Land reform and tenure ▪ Food Security ▪ Finance for agriculture especially small-scale and peasant sector ▪ Reallocation of resources from urban to rural areas. 	<ul style="list-style-type: none"> ▪ New partnerships for Large Scale agricultural projects ▪ Research and Development (R& D) in agriculture to enhance yields. ▪ Improve access to agricultural technology and know-how ▪ Improve terms of trade (Africa to be more effective in trade negotiations.)
ii. Mining	<ul style="list-style-type: none"> ▪ Improve information base ▪ Improve regulatory framework ▪ Improve efficiency in extraction and processing of minerals 	<ul style="list-style-type: none"> ▪ Improve standards in sector ▪ Enhance value added in mineral production ▪ Human resource development 	<ul style="list-style-type: none"> ▪
iii. Manufacturing	<ul style="list-style-type: none"> ▪ Increase production ▪ Improve competitiveness ▪ Diversify domestic private sector production- (mining, agriculture, agro-industry sub-sectors) ▪ Improve standards ▪ Technological improvements ▪ Regulatory frameworks 	<ul style="list-style-type: none"> ▪ New industry development ▪ Agro-based industries ▪ Energy ▪ Rural resources ▪ Membership to international standards bodies, 	<ul style="list-style-type: none"> ▪ Facilitate partnerships/joint ventures ▪ Sub-contracting ▪ Capacity building for industrial development ▪ Review Technical barriers to trade (WTO)

iv. Tourism	<ul style="list-style-type: none"> ▪ Identify major projects with large spin-offs ▪ R and D ▪ Promote partnerships ▪ (eg regional tourism Organisation of Southern Africa –RETOSA) 	<ul style="list-style-type: none"> ▪ Cooperative partnerships ▪ Capacity building of communities to engage in sustainable tourism projects ▪ Marketing of products 	<ul style="list-style-type: none"> ▪ -
v. Services	<ul style="list-style-type: none"> ▪ Improve environment ▪ Promote FDI and trade esp exports ▪ Development and promotion of SMEs 	<ul style="list-style-type: none"> ▪ Private sector development ▪ Dialogue between gvt and private sector 	<ul style="list-style-type: none"> ▪ Develop managerial capacity ▪ Supportive regulations to be developed and implemented
vi. Promoting African exports	<ul style="list-style-type: none"> ▪ Improve standards to enhance quality of Africa's exports ▪ Conflict resolution to promote production of exportables ▪ HR development ▪ Improve customs procedures and rebate schemes ▪ Improve Africa's image 	<ul style="list-style-type: none"> ▪ Increase intra-African trade ▪ Improve marketing strategies ▪ Cost effectiveness ▪ Regional trade agreements ▪ Harmonisation of rules of origin-tariff and product standards ▪ Reduce export tax. 	<ul style="list-style-type: none"> ▪ Improved access to Africa's exports (negotiate) ▪ FDI ▪ Private sector development ▪ Strengthen country and subregional capacity in trade negotiations (to increase influence on WTO and other new trading arrangements)
vii. Removal of non-tariff barriers	<ul style="list-style-type: none"> ▪ Remove non-tariff barriers and other impediments to trade 	<ul style="list-style-type: none"> ▪ 	<ul style="list-style-type: none"> ▪ Active participation by African leaders in the world trading system <ul style="list-style-type: none"> - greater openness to Africa's exports - diversification - capacity building of African trade negotiators.

Source: Summarized from NEPAD, October 2001.

The diagram below illustrates the conceptualisation of the RMS in NEPAD.

Figure 2 Conceptualisation of RMS of NEPAD



Source: Designed from
RMS of NEPAD

The strategy is crafted in the context of an Africa which is integrated within the global economy where various forms of financial resources exist and can be made available for Africa's development. These resources are in the form of official development assistance (ODA), debt relief, private capital flows. Arrow 2 shows flows of financial and capital resources going into Africa.

Africa also has the possibility to mobilise resources by accessing the markets of other countries in the global economy and therefore promoting its exports. This is shown by arrow 3 in the diagram. These two sources are the major sources of resources for NEPAD.

Africa can also utilise domestic resources(arrow 1) from savings mobilisation and public revenues but argues that since these are inadequate, there is a need to tap on external sources.

As mentioned in the introduction, NEPAD drew its strength from the commitment made by world leaders at the United Nations Millenium Summit in year 2000 and this could perhaps explain the global framework within which the strategies are designed.

There is nothing really new about the strategy which is proposed. Africa has always relied on foreign sources of financing and to a limited extent, on domestic sources. Africa has also made efforts to access the markets of industrialised countries but with limited success much more so because unfair international trading arrangements such as those imposed under the WTO.

NEPAD is based on the ideology of a 'new global partnership' which operates on the principles of 'shared responsibility and mutual interest'.

NEPAD advocates for a 'new relationship of partnership between Africa and the international community especially the Highly Indebted Poor Countries.

The RMS of NEPAD advocates 'donor' private sector partnership-foreign companies come and build infrastructure in Africa.

The concept of global partnership arises out of an acceptance of the globalisation phenomenon in which there is supposed to be mutual benefit from interdependence between countries. This is through 'shared responsibility and mutual interest'.

NEPAD talks of this 'partnership' as though it were neutral. Historically, Africa has been exploited by multinational corporations, and other forms of foreign capital. The relationship between Africa and the TNCs was not mutually beneficial. In this new partnership envisaged under NEPAD, how does the relationship change so that there is mutual benefit? NEPAD is silent on this critical matter.

NEPAD needs to recognize the fact that in a global environment where the distribution of power (both economic and political), is distributed unfairly between developed and less developed countries, the struggle for better of terms for African goods remains a challenge which calls for African leaders to unite and challenge effectively the institutions, mechanisms and policies which continue to marginalize Africa. Specific strategies to address and challenge the WTO for example, need to be articulated and implemented

In order to assess the viability of the proposed RMS, it is also worth recapping on the historical record of this kind of this approach. Statistics actually show that in the last few years, Africa has not been an attractive destination of all those forms of capital flows and so, any model of development which disproportionately relies on external flows for finance, is unlikely to succeed. The strategy also seems to overlook or down play the many risks associated with some of the sources for example, short-term private capital flows. The experience of East Asian countries is a glaring example of the potential pitfalls of such finance. Whilst Africa can hope to attract ODA, the terms and conditions under which such financing are provided, have been known to exacerbate rather than reduce poverty.

In the markets access approach, NEPAD demonstrates the issue of access to markets as a critical factor for success of African countries, that they need to diversify their production bases and to improve value added in key sectors such as agriculture, mining, manufacturing and agro-industry. Whilst the importance of promoting manufactured exports is indeed valid for Africa, and previous policy documents have also underpinned the strategy, NEPAD fails to identify the major reasons why African countries have failed to improve exports of manufactured goods and how the NEPAD initiative proposes to make this work.

The strategy is also based on the notion that in order to achieve growth and development, Africa requires injections of external capital, in different forms: official development assistance from bilateral and multilateral sources; private capital flows-equity investments; and also through debt relief. Although NEPAD recognises the importance of domestic resources, it appears that greater reliance is placed on external sources of financing.

We examine the above arguments more closely based both on theoretical validity and historical record.

4.1. Capital Flows Initiative

In the 1990s, there was an upsurge of inflows of private capital from DCs to LDCs. Private and official flows were almost at the same level but later private flows dwarfed official flows.

We review the historical record in regard to movements in private capital, ODA, FDI and portfolio investments and use these trends to assess the wisdom of NEPAD relying on this flows as sources of finance for the programme. .

Table 2 shows the trends in global financial flows over the period 1990 to 1998. Although there has been an increase in these flows to SSA, (net private, FDI, and portfolio investments), in terms of actual magnitudes, SSA has attracted the lowest volumes. More recent data (year 2000 on) were not available. A closer look at each type of flow reveals the following:

a. Net Private Capital Flows

Between the 1990 to 1998 period, whilst SSA attracted between \$ 1,283 m and \$ 3,452 m, other developing regions (eg East Asia and Pacific), attracted between \$ 18,720m to \$ 67,249m over the same period. Figures were higher for middle income countries.

Table 2 GLOBAL FINANCIAL FLOWS								
	Net Private Capital Flows (USD millions)		Foreign..Direct Investment (USD millions)		Portfolio Investment Flows (USD millions)			
	1990	1998	1990	1998	Bonds		Equity	
	1990	1998	1990	1998	1990	1998	1990	1998
SSA	1,283	3,452	843	4,394	-91	250	0	679
Low Income	14,831	52,365	5,732	53,517	95	5,482	417	1,921
Middle Income	27,775	215,336	18,398	117,425	1,083	34,175	2,340	13,646
High Income	-	-	169,252	448,316	-	-		
Latin America and Carribean	12,411	126,854	8,188	69,323	101	17,627	896	1,748
East Asia and Pacific	18,720	67,249	11,135	64,162	-784	1,870	1,571	9,007

Source: World Bank (2000), World Development Indicators, p 336.

Notes:

1. *Net private capital flows:*

Consists of private debt and non-debt flows. Private debt flows include commercial bank lending, bonds and other private credits

2. *Foreign Direct Investment:*

Net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock)

Sum of equity capital, reinvestment of earnings, other long-term capital and short-term capital

3. *Portfolio Investment Flows: Non-debt creating equity flows (sum of country funds, depository receipts, and direct purchase of shares by foreign investors) and portfolio debt flows (bond issues purchased by foreign investors).*

Table 3 : Trends in Net Official Development Assistance (USD millions) and Aid Dependency Indicators

Region	Net..Official Development Assistance and Official Aid		Aid per capita		Aid Dependency Ratio							
	1993	1998	1993	1998	Aid as % of GNP		Aid as % of GDI		Aid as % of Imports		Aid as % of Central Govt Expenditure	
					1993	1998	1993	1998	1993	1998	1993	1998
SSA	17,499	14,186	30	21	5.7	4.1	34.0	22.3	16.9	10.6	No data	
Low Income	28,031	24,434	9	7	2.4	1.3	7.6	4.3	9.6	5.5		
Middle Income	19,136	17,735	14	12	0.5	0.4	2.1	1.7	2.0	1.1		
High Income	2,316	2,129	-	-	-	-	-	-	-	-		
Latin America and Carribean	5,249	5,452	10	9	0.3	0.2	1.6	1.0	1.7	0.9		
East Asia and Pacific	9,434	8,417	5	4	0.8	0.5	-	-	-	-		

Source: World Bank (2000), World Development Indicators, p 344.

Notes:

1. Net official aid refers o aid flows net of repayments from official donors
2. Aid per capita includes both ODA and official aid
3. ODA- loans with at least a 25 percent grant component.

b. FDI

SSA has the lowest share. It did not compare favourably in relation to other developing regions. Between 1990 and 1998, whilst Africa attracted FDI between \$ 843m to \$ 4,394m, Latin America and the Caribbean were able to attract between \$ 8,188m to \$ 69,323m over the same period.

c. Portfolio Investment Flows

For SSA, although the flow of portfolio investments increased over 1990 to 1998, the volume remains very small in relative terms. There was an increase from \$ 91m in 1990 to \$ 250m in 1998 (in the case of bonds) and from \$ zero on 1990 to \$ 679m in 1998 (for equity). In the other developing regions, the volumes were over ten times more than flows into SSA.

d. ODA Flows

Table 3 shows the trends in ODA and aid flows.

Over the period 1993 to 1998, SSA, alongside other low income countries, received the highest amount of ODA. For SSA, it was \$ 17, 449, in 1993 but this declined to \$ 14,186m in 1998.

SSA reflects the highest aid per capita (\$ 30 in 1993 and this had declined to \$ 21 in 1998)

Using indicators of Aid as a percentage of GDP, GDI, and imports, SSA still reflects the highest levels of aid dependency although this has also declined by about 20 percent.

The decline in ODA is worth noting and it also raises concerns as to the wisdom of relying on these external flows to finance NEPAD. The second issue is the implications of this source vis-à-vis the historical challenges and problems associated with dependency. It would appear that Africa will have to engineer the new financial architecture in order to ensure that the cycle of poverty and dependency of previous foreign aid approaches do not retard further, Africa's development as proposed by NEPAD.

There are other specific areas of concern in regard to the CFI of NEPAD. It does not appear concerned about the prospects of using short-term capital flows as part of the private capital flows initiative. We need to take a closer look at this source.

Short-term capital flows

The major concern about these is the fact that recipient countries become more vulnerable to volatility of financial markets as evidenced by the Asian Crisis. Rapid changes in investor sentiments can cause substantial instability.

The Asian Crisis has raised many questions and reexamination of the international economic architecture, raising issues such as

- Are the benefits of liberalizing capital accounts worth the costs ?
- Can developing countries find ways to capture the gains from financial globalisation without running such enormous risks, which often jeopardize the poorest individuals. The policy response is to calibrate a sequential approach to financial reform that both ensures stability in developing countries and captures benefits of integration into the world .

There are risks inherent in the ebbs and flows of international capital. Access to a growing pool of global capital can mean more volatility in emerging financial markets and greater exposure to changes in sentiments by institutional investors in developed countries.

Portfolio flows are sensitive to

1. interest rate increases in developed countries can reverse flows
2. political factors
3. interest rates prevailing in other investment destinations.

The experience of Latin America is another case in point. In 1993, the region experienced net inflows \$ 60 billion. But when the Mexican crisis set in during 1995, there were net outflows from the region were estimated at USD 7.5 billion.

The banking crisis of Argentina 1995

- deposits fell by one –sixth in the 1st quarter of the year. The Central Bank lost USD 5 billion in reserves
- the crisis was also due to the collapse in confidence in Latin America after the Mexican crisis in December 1994.
- East Asia and Latin America crises-financial contagion due to both geographical and institutional proximity.

Speculative attacks

These can seriously jeopardize macroeconomic, social, economic and political stability of a country and in particular, its banking system. A speculative attack of a currency occurs when foreign and domestic depositors suddenly shift their funds out of domestic banks into foreign currency often leaving the domestic banking system facing a bank run.

In Zimbabwe, during the period of political and economic crisis leading to the Presidential elections in 2002, this was indeed experienced due to the uncertainty surrounding the environment and also the downward trend in the economy, high levels of inflation (115 percent pa),

- Foreign Direct Investment and Private-Public Partnerships (PPP) and private capital initiatives

In regard to FDI, Africa has for years received transnational capital, which mainly went into large scale commercial agriculture, forestry, mining and to some extent, manufacturing (extractive industries). The record of TNCs is well-known. Whilst indeed they brought in a lot of new technology and know-how, it is widely acknowledged that they were the net beneficiaries of the ‘partnership’. They exported and in many countries, still continue to export primary commodities under unequal terms of trade and this has disadvantaged developing economies.

A strategy which advocates greater flows of FDI also must recognize that FDI is sensitive to the expected returns offered by the recipient country. In recent years, FDI flows to

Africa have declined and Africa has been repeatedly told that it is not an attractive investment destination. Civil conflicts in places like the Horn, the Sudan, Sierra Leone, Liberia, Rwanda, DRC, and Angola, instability in areas such as Zimbabwe, among others, do not create an environment which is conducive to long-term investment.

A small group of developing countries has attracted most foreign investment (Brazil, Indonesia, Malaysia, Mexico, Thailand, and recently, China including Hong Kong) Between 1990 and 1998 these countries received a total of USD 265. 7 billion. They were the most sought after investment destination.

As a group, Africa and the Middle East have received less than 10 percent of FDI flows. In 1997 the stock of such investment in Africa was less than 2 percent of the world total. (Hence most SSA countries will continue to rely on multilateral and bilateral aid to finance investment projects.)p 72 World Development Report 1999/2000.

FDI generally targets exploitation of natural resources brings new technological markets, human capital (in remote areas)

WDR 1999/2000 p 73

‘The benefits to a developing country of natural resource exploitation are ambiguous

- Loss of wealth to the country so gain in GDP less (if this is taken care of).
- Unsustainable growth
- Growth extraction
- Environmental costs

Where should FDI go ? For sustainability, long-term growth: promote FDI into manufacturing producer sector

Africa has found it difficult to attract such investments.

FDI not all FDI enhances national welfare. The record of FDI in Africa is one associated with transnational capital coming into Africa and benefiting from long-tax holidays, subsidies and

benefits of repatriation of dividends and profits. Naturally therefore, the question is how does NEPAD hope to maximise returns from FDI this time?

One should not rule out the feasibility of FDI however. After some effective marketing of NEPAD, the British have responded favourably by setting up a Fund towards support of NEPAD. It is yet to be seen whether the USD 350 million Fund initiative launched by Britain recently will be replicated and thus provide a viable base for financing of NEPAD.

The Fund is called the Africa Infrastructure Fund. It has been set up to provide financing for public and private sector infrastructure development in SubSaharan Africa. The fund will be channelled through a consortium of financial institutions led by Standard Chartered Bank including Barclays Bank Africa, Netherlands Development Finance Company (FMO) and the Emerging Markets Partnership (EMP). The agreement was signed on 30 January 2002. All SSA countries will be eligible except South Africa and Mauritius who are more developed and can therefore attract infrastructure funding on their own. The EAF will be managed by the Standard Infrastructure Fund Managers (Africa) Ltd- a Standard Bank Group as well as by FMO and EMP as a joint venture.

The initial financing will be structured as follows:

- USD 100million equity capital (underwritten by DFID)
- A tranche of USD 95 million of development finance from FMO, South Africa and Germany.
- USD 120 million of commercial debt from the Standard Bank group and Barclays
- DFID is also planning to combine with other European donors for additional equity which will grow the fund to USD 450 million.

The EAF facility is expected to be a long-term loan based on pooling risk amongst the various partners. The fund targets:

- Greenfield investments
- Privatisation
- Refurbishments
- Upgrades
- Expansions
- Telecoms, transport, water and power generation.

This is an important initiative but obviously, given NEPAD needs USD 64 billion, the resource gap remains very large. Also, the details about the nature of the investments, the terms and conditions etc, are still not known so as to enable an objective assessment of the potential benefits.

Other issues of concern in regard to PPP are the policies which these often pursue, for example, privatisation of once state-controlled enterprises. Whilst there is a case of privatisation in some instances, in Africa, the privatisation of electricity, public transport and telecommunications has been criticized. This is because privatisation, in a bid to achieve cost recovery in order to sustain supply, has resulted in an increase in prices beyond the capacity of many low-income consumers to pay. It has also been associated with massive retrenchments of labour, which has created a lot of unemployment, reduced incomes and increased poverty. In many countries which embarked on SAPs, privatisation was one of the central pillars of the programme. In Ghana, Uganda, Tanzania, Zimbabwe, Kenya, Mozambique and South Africa, to name a few, the privatisation of public transport companies, telecommunications, electricity and power companies, mostly undertaken during SAP programmes, have increased hardships on the poor in those countries. The privatisation of the copper mines in Zambia is one glaring example of the devastating impact of this approach.

The challenge for NEPAD therefore is how to tap on potential resources through PPP initiatives whilst protecting and safeguarding the interests of the poor and disadvantaged. In the past, many states have failed to ensure this.

e. Debt Relief

NEPAD has proposed debt relief as a possible source of finance for Africa's development. Debt relief is to be achieved through the IBRD and IMF designed strategy called the Heavily Indebted Poor Countries (HIPC) Debt Initiative

HIPC is 'an agreement by the international community. It is designed to help poor countries with good policies so as to escape from unsustainable debt by providing comprehensive debt relief. When debt constitutes over 25 percent of exports it is regarded as unsustainable. The HIPC programme was launched by the World Bank and the International Monetary Fund (IMF) in 1996. It was endorsed by 180 governments. In 1999, the enhanced HIPC Programme was

adopted to provide debt relief that is ‘broader, deeper and faster’ HIPC aims to assist poor countries to avoid jeopardizing their reform efforts because of servicing heavy debts.

By early 2000, debt relief packages amounting to \$7 billion in debt relief (\$ 3.4 billion in NPV terms), had been agreed to for seven countries: Bolivia, Burkina Faso, Cote D’ Ivoire, Guyana, Mali, Mozambique and Uganda.

Debt relief packages are negotiated with the World Bank under the HIPC Initiative. Only a few African countries have been assisted (eg Mozambique, Uganda and Burkina Faso) and the conditionalities associated with the implementation programme under the World Bank Country Assistance Plan, have some heavy social costs.

The HIPCs are among the poorest nations on earth. The HIPC package gives support in the form of

- Paris Club debt relief operations
- Forgiveness of aid debts
- Commercial bank debt buy backs (at discounts of about 85 percent)

NEPAD is being very naïve to expect HIPC to churn out the resources it requires for Africa’s development, at least not for now. A fundamental problem with the HIPC relates to the limited relief which is made available, the difficult conditions or criteria for countries to qualify and the absence of an automatic linkage between the resources thus released, and poverty reduction. According to OXFAM ²,

“ Since its approval in 1996, HIPCs progress has been abysmal. The debt relief provided has been too limited and implementation has been too slow. Only two out of forty-one countries have started to receive debt relief through HIPC) (Uganda and Bolivia)”

Oxfam argues that HIPC is failing to meet the needs of the poor and indebted countries because:

² Submission to the HIPC Debt Review, April 1999.

- a. The eligibility requirements are difficult to achieve and therefore this excludes many countries which need this support. The linkage to performance in accordance to the IMF structural adjustment programmes has also raised the question of what prospects these countries have to come out of debt given that they are effectively going into new debt which may be even more difficult to repay given the difficulties of expanding manufactured exports and also the problem of repayment in foreign currencies when most African countries have relatively weaker currencies.
- b. The criteria used to determine whether debt stock and debt servicing are sustainable provide limited debt relief and exclude many poor nations. The required thresholds are regarded to be too high. For example, in 1999, one of the eligibility requirements was for applying countries to have a debt stock to export ratio of 200-250 percent and a debt service to exports ratio of 20-25 percent.
- c. HIPC's links to poverty reduction is weak. OXFAM has proposed the creation of a Human Development Window which would ensure that the resources which are released from any debt relief, will be channelled into poverty reduction initiatives.
- d. Countries applying for HIPC support have to complete two successive IMF Enhanced Structural Adjustment Facility (ESAF) programmes and the period was 6 years (there was some discussion to review and reduce to 3 but author is not sure about the current status of this). Given the well-documented negative effects of ESAF's in Africa (for those countries which underwent SAPs), debt relief under the HIPC poses problems.
- e. Actual payments of debt by the participating countries on HIPC Initiative did not change significantly. Mozambique has been quoted as a good example of the failure of the HIPC. In April 1998, Mozambique negotiated a deal for debt relief of \$ 3 billion. Debt service ration would be brought below 20-25 percent and this was considered to be the highest debt reduction among HIPCs up until then. The idea of the relief was to free resources from debt service and channel them into education, health, and sanitation. After the HIPC negotiations, Mozambique was required to pay \$ 100 million a year-this being considered the sustainable level of debt service. Mozambicans strongly disagreed with this, arguing that government revenues were hardly 50 percent of total expenditures and that the country was incurring large deficits both on current account (\$ 600 million) a year and that the trend was likely to continue into year 2017. Mozambique's share of multilateral debt rose from 4 percent

in 1984 to 30 percent in 1997. These debts were demanding additional resources in debt service and Mozambique actually had to set up a Multilateral Debt Fund. ³

It has also been noted that the debt of most of the HIPCs were in most cases four times their annual export earnings and 120 percent of GDP.

The HIPC gains in terms of reduction in debt and the reallocation of spending from debt to social spending. For Uganda for example, the total assistance under the original and enhanced framework will reduce the debt-service ration to an estimated 6 percent in 2000-2001 (compared to 18.7 percent before HIPC debt relief). (Global Development Finance, World Bank , 2000, p 68)

Enhanced HIPCs now incorporate a comprehensive and participatory poverty reduction strategy to be put in place first before relief can be advanced.

Whilst the idea of debt relief is also a good one, the problem tends to be the difficult conditions attached for access as indicated above, and that it is therefore a slow process. In addition, some of the methods for relief (eg the debt buy back schemes) can create more problems due to the higher interest rates for repayment and also a shorter repayment period.

f. Domestic Resource Mobilisation

Limited capacity to collect tax revenue

In most of Sub-Saharan Africa, conditions do not exist for the effective implementation of the RMS of NEPAD. So, the challenge is for African governments to be more inward looking and improve systems and institutions of governance towards greater efficiency, transparency and accountability.

There is need to enhance the capacity of African countries to mobilise and utilise effectively, external financial flows. Evidence shows that corruption is still a big problem in Africa. This partly explains why despite heavy capital flows in to the region in the last two decades, the impact of that has been limited. Table 2 shows the Corruption Perception Index of a number of African countries in year 2000.

³ OXFAM, op.cit.

Table 3 Revenue Collection in Selected African Countries

Country	Tax Revenue as % of GDP	Taxes on Income, profits and capital gains (% of total taxes)	
		1980	1998
	1998	1980	1998
Algeria	30.7	-	71.6
Botswana	14.7	45.5	51.3
Burundi	12.7	20.4	24.1
Egypt	16.6	24.8	34.4
Ghana	N/a	22.0	N/a
Kenya	1.5	63.6	24.6
Namibia	N/a	N/a	-
Nigeria	N/a	N/a	-
Mozambique	N/a	N/a	-
Sierra Leone	10.2	25.0	17.6
Uganda	N/a	11.8	N/a
South Africa	24.6	64.1	59.5
United Kingdom	36.4	43.4	41.1
USA	20.5	61.5	60.4
Sweden	35.8	21.1	16.6

Source: World Bank (2000) Development Indicators p 278

Table 3 shows (although there is insufficient comparative data), the limited capacity of SSA countries to collect tax revenue. This is a reflection of the problem of weak systems of public management. Improved tax collection could improve domestic mobilisation of resources for financing NEPAD.

Stock Markets

Stock Markets are still relatively underdeveloped in Africa. Table 4 indicates that SSA has relatively less developed smaller stock markets. With a caution on the reliability or accuracy of the figures, the general picture shows that although in terms of market capitalisation, SSA fares the worst compared to other regions, there has been some growth by 1998. Using both the market

capitalisation and the value traded indicators, there is a potential for stock market growth. Although in terms of number of listed companies, the figure for SSA is too low (91011 in 1990 and 1117 in 1998) as compared to 4914 in 1990 and 15 764 in 1998 for middle income countries.

Stock markets could therefore be a longer-term source of financing for NEPAD, but obviously given the effort needed to further develop and expand these markets, this can only be a long term initiative to finance NEPAD.

Table 4 Stock Market Indicators for Selected Regions

	Market Capitalisation USD millions		Market Capitalisation as % of GDP		Value Traded as % of GDP		Number of Listed Companies	
	1990	1999	1990	1999	1990	1999	1990	1999
SSA	142,594	183,055	52	80.3	3.8	26.3	1,011	1,117
Low Income	54,588	375,568	7.5	22.2	3.1	22.1	3,446	9,084
Middle Income	430,070	1,084,383	24	27	9.3	15.0	4,914	15,764
High Income	8,913,233	25,999,006	56	115.7	31.7	97.5	17,064	22,612
Latin America and Carribean	78,470	402,883	7.6	20.8	2.1	10.7	1748	2166
East Asia and Pacifie	197,109	536,921	21.3	33.0	13.3	30.3	1443	3703

Source: World Bank (2000) Development Indicators p 266

Notes:

- 1. Market capitalisation (market value) is the share price times the number of shares outstanding*
- 2. Value Added referd to the total value of shares traded during the period*
- 3. Listed domestic companies refer to the number of domestically incorporated companies listed on the country's stock exchanges at the end of the year*
- 4. Data on turnover ratio (value of shares traded as a % of capitalisation) was not available for some of the regions*

A note of caution: the source indicates that some of the data may not be accurate due to reporting problems in the various countries.

The problem of Lack of Competitiveness

Sub-Saharan Africa is rated low in terms of competitiveness. Poor governance is one of the major problems facing the continent (Table 5).

According to the African Development Report of 2001, most African countries had a low rating in terms of the Corruption Perception Index (CPI). The index ranges between 10 (highly clean) and 0 (highly corrupt).

Table 5 Corruption in Africa

Country Rank	Country	2000 CPI
1	Botswana	6.0
2	Namibia	5.4
3	Tunisia	5.2
4	South Africa	5.0
5	Mauritius	4.7
6	Morocco	4.7
7	Malawi	4.1
8	Ghana	3.5
9	Senegal	3.5
10	Zambia	3.4
11	Ethiopia	3.2
12	Egypt	3.1
13	Burkina Faso	3.0
14	Zimbabwe	3.0
15	Cote d' Ivoire	2.7
16	Tanzania	2.5
17	Uganda	2.3
18	Mozambique	2.2
19	Kenya	2.1
20	Cameroon	2.0
21	Angola	2.0
22	Nigeria	1.2
	Average	3.4
Other regions	Number of Countries	CPI Score
Eastern Europe	21	3.4
Latin America	11	3.9
Asia	12	4.5
Western Europe	18	7.8
North America	2	8.5

Source: African Development Report 2001, African Development Bank. P 22

Notes:

2000 CPI Score: Relates to perceptions of the degree of corruption as seen by business people, risk analyst and the general public and ranges between 10 (highly clean) and 0 (highly corrupt).

Africa's average CPI (3.4) is the lowest compared to the rest the world, although its score is quite close to those of other developing regions (Eastern Europe and Latin America and Asia)

4.2. The Market Access Initiative (MAI)

There is very little if any, to disagree with the MAI of NEPAD. Indeed, over the years, African countries have been encouraged to diversify their exports from primary goods to manufactured or processed goods so as to improve their terms of trade and therefore generate more foreign exchange for development. This policy was in fact, one of the cornerstones of the Lagos Plan of Action and yet today, there is still very little evidence of such a shift. The challenge for African Heads of State is how to make this strategy work-how do African countries achieve a genuine transformation in their production processes along the lines called for by NEPAD? This has been talked about for decades, perhaps the input of NEPAD will be on how to actually achieve such a goal.

NEPAD is again being naïve in expecting billions of resources to be churned out through the MAI. The reason is simply that African leaders know only too well why Africa is failing to penetrate Northern markets. Protectionist policies of the industrialised countries, now being buttressed by such arrangements as WTO, are the main culprits. In order to make inroads into the MAI therefore, African countries need to mobilise and unify efforts in their fight for a fairer international trading and financial system. The experiences of Seattle should demonstrate the potential that African along with other developing nations, have in terms of their capacity to fight unjust systems. As Doha showed however, that struggle has not been won and so perhaps, African leadership can intensify their efforts to challenge and influence for the better, the rules of the game on the international arena. This is a milestone to be overcome before Africa can develop strategies such as NEPAD and assume that resources will be made readily available through 'MAI' NEPAD needs to articulate the challenges and develop appropriate strategies.

Some of the specific actions proposed under MAI remain too general and vague, even though the main strategy is relevant. For example, the MAI cites the need for improving terms of trade, enhancing food security, improving productivity, and improving standards. It does not offer more details on how to achieve those objectives. For example, the strategy to improve terms of trade must address and suggest how the capacity of African leaders can be enhanced in order to improve their negotiations with WTO and other multilateral trading bodies. This is an area of weakness.

The NEPAD document itself notes that

“ In the absence of fair and just global rules, globalisation has increased the ability of the strong to advance the interests to the detriment of the weak, especially in the areas of trade, finance and technology....

Africa’s inability to harness the process of globalisation is a result of structural impediments to growth and development in the form of resource outflows and unfavourable terms of trade.”

The current struggles of developing nations with the WTO are evidence that the international rules of the game are not fair to developing countries and therefore, a policy initiative which assumes this problem away is naïve. NEPAD should instead be advocating strategies to educate, raise awareness within African leaders and those who negotiate Africa’s terms at various international forums which address issues of trading and financial arrangements.

At Doha, the ‘development agenda’ agreed to by the industrialised countries was largely viewed by developing nations as protection of corporate interests.

In order to achieve value added in the production of key sectors (agriculture, mining and manufacturing), African countries have to develop and implement policies which promote processing of the output of these sectors. It must be understood why mining companies still prefer to continue to export raw minerals rather than process them. This identifies the points of intervention. Could it be technological constraints?, could it be pricing policies in the country? Or there are other constraints. Who are the companies actually producing and what constraints do they face in trying to shift towards production of processed goods?

5. Towards Alternatives

In the context of Africa's social, economic and political challenges both within the region as well as at the international level, it is difficult to prescribe feasible alternatives and specifically in the context of NEPAD. From the analysis presented in NEPAD though, it is clear that a lot of the RMS it proposes are unlikely to yield some significant results. The record presented above speaks for itself. However, a lot depends on the capacity of Africa to influence events, systems and institutions which are pivotal in the financial arena and to then ensure a reversal of the poor trends in financial flows to Africa. This will be difficult to achieve in the short run and so, those efforts must be viewed in a longer term framework.

The starting point in my view, is for African (and this should be a central pillar of NEPAD's RMS), countries to address the current sources of leakage and potential leakage of mobilised resources. Resources are wasted through inefficient uses, wrong prioritisation, leakages through corruption and embezzlement. This happens at Central as well as local government levels. A major challenge for NEPAD is therefore how to address the issues of governance: efficiency, accountability and transparency; how to improve fiscal management and performance; how to strengthen domestic capital and money markets, how to improve the performance of development banks, microfinance institutions, SMEs etc and creating the policy environment to promote processing industries in the major sectors of the economy: agriculture, mining, manufacturing, tourism etc.

Two fundamental questions need to be asked in the quest for alternatives.

- a. Should Africa continue to place heavy reliance on the CFI? Especially in view of the problems experienced in the past? On what basis is NEPAD optimistic? On the basis of Africa's experience with finance from sources such as envisaged under the CFI, the prospects are not very good to secure this type of finance.
- b. Why has Africa been unattractive to external flows of capital. Given that not all external financing is bad (a lot depends on Africa's ability to negotiate more acceptable terms of support), African countries could do themselves some justice by being more 'inward-looking.' That is not to say they completely stop to explore possibilities of external support, but rather, that they intensify efforts towards

domestic resource mobilisation. This can be achieved by strengthening key institutions such as public sector management so as to improve revenue collection. They could also review public expenditure systems and procedures and rationalise the allocation of resources so that capital spending is expanded whilst there are appropriately targeted cuts in recurrent expenditures. A major problem in most African countries is the biased public expenditure allocations where recurrent spending takes up more than 80 percent of budgetary resources and capital budgets in the main have less than 20 percent.

An alternative to the RMS of NEPAD should be based on greater reliance on domestic resource mobilisation: Specifically, the following approaches are proposed:

5.1. Improve Fiscal Management

Components of fiscal management include:

- a. Tax administration
- b. Expenditure management

Mobilisation of tax revenues can be improved by more efficient and better managed tax administration.

Expenditure should be compatible with domestic resource mobilisation and long-term growth. Redistribute in favour of economic growth and poverty reduction

- more resources to be allocated towards capital expenditure
- more into primary education, health, and productive sectors to generate jobs.

Technical Capacity should also be provided in order to ensure accountability of public agencies and officials at the levels of Public Sector Management And Public Enterprise Management And Reform, Public Financial Management, Corporate Governance And Civil Service Reform.

5.2. Strengthen financial and capital markets

African countries should strengthen their domestic financial markets so as to improve deposit mobilisation and other long term capital. There should be efforts to deepen capital markets through appropriate regulatory and other relevant interventions.

In order to strengthen the capacity of domestic financial systems to absorb private capital flows at minimal risk to the whole system, African countries should

- a. Strengthen banking regulations, build complimentary and well-regulated securities markets.
- b. Introduce policies to reduce the demand for and volatility of short-term foreign borrowing.
- c. Long-term foreign investment should be attracted by cultivating a healthy economic environment.
 - Investment in human capital
 - Priority should be in productive activities with a capacity to create and sustain jobs.
 - Appropriate regulatory framework to ensure maximization of gains to local communities.
 - Adequate social protection mechanisms to protect the vulnerable against exploitation and abuse by those who have capital.
 - Regime of investors' rights and obligations not subsidies or other inducements

5.3. Decentralisation and Role of Community-based Institutions

Sub-National Governments/Local Authorities

There is a push for national governments to delegate functions to local governments

Local governments can finance their development projects through:

- Development fees
- Local tax revenues
- Municipal bonds and municipal funds

In Africa, subnational governments have been weak and so their capacity to mobilise resources for development has been very limited. Capacity building to improve this entity could go a long way towards enhancing Africa's capacity to mobilise domestic resources for development.

In the USA and Canada, local governments rely on the bond market. This is made possible because both countries have well-developed markets. In Africa, local governments often have no credible political commitments to long-term financial obligations.⁴

Municipal Development Funds (MDFs)

Some countries (eg South Africa) have developed municipal bond markets. These are said to have a successful history in Western Europe eg European MDFs (credit local de France, the Spanish Banco de Credito Locale, and the British Public Works Loans Board.)

These funds were founded to address the unwillingness of private capital markets to provide long-term credit to small municipalities. Central governments (once they themselves achieve good credit ratings), could set up such funds.⁵

There is therefore a need to strengthen decentralised structures-local governments and enhance capacity to tap on to local bond markets and to provide low-cost infrastructure

Role of Communities

NEPAD does not emphasize the potential role which communities can play in the mobilisation of resources for development. In housing, water projects, transport, there are possibilities to promote micro-level projects which are managed and implemented at community level. In Asia, there have been a number of experiments where development banks have on lended to communities for infrastructure development. The Asian Development Bank⁶ has been experimenting with this.

It has given loans for

- water and sanitation
- drainage and sewerage
- solid waste management
- slum upgrades

⁴ The African Development Report 2001, p 30

⁵ World Bank 2000, World Development Report, p 134

⁶ Proceedings of National Workshop on Microfinance For Infrastructure: Recent Experiences August 31, 2000. New Delhi.

- public transport
- market development
- enhancement of financial and managerial capacity of urban local bodies

The Bank's strategy has been to provide loans to intermediaries such as Housing and Development Corporations (usually a 20-year repayment period, and a grace of 5) which would then onlend to communities. Such funds have been used to set up an Infrastructural Development Fund which community then manages. In Africa, the problem has been that communities were not empowered to take ownership and in the end, good projects collapsed due to lack of proper management and supervision.

5.4. Improving Access to Markets

In regard to the MAI, whilst the author recognizes the potential to generate resources through this route, it is not going to happen overnight. The priority of African leadership must be to engage, as a united forum, institutions such as the WTO, the Bretton Woods Institutions, the Paris Club, the DACs etc with a view to shaping and influencing the international trading and financial system so that it serves the interests of Africa. This is obviously no mean task. Africa has been trying to do this for decades and yet the struggle is still on. The message from this is therefore that Africa's development, in the light of the harsh realities of globalisation and domination by the North, must seriously be anchor and originate from within the continent, at national levels, at subregional levels. There is need to promote regional integration. The African Union, though overshadowed by the failures of its predecessor, the OAU, should become a vibrant entity and the centre of innovation and direction for the rest of Africa to achieve development.

6. Conclusions and Recommendations

In conclusion, whilst there is need for Africa to rally around a common vision and certainly NEPAD is an attempt to forge that, there are serious shortcomings with, among other things, its resource mobilisation strategy.

NEPAD is relying too heavily on external funding when historical record clearly indicates that there is no basis to assume that the Iproposed Capital Flows Initiative can yield the

kind of resources which are required by NEPAD which has indicated that it needs about \$ 64 billion in support. So far, the British Initiative under Standard and Barclays Bank, with a consortium of other donors, has managed to mobilise \$ 350 million and so there is a long way to go.

Secondly, NEPAD clearly appears to ignore the ideological dimensions of external funding and a market based model of development in a harsh globalised environment. Despite the failures of aid and transnational capital in promoting pro-poor development in Africa, the overriding concern in NEPAD appears to be the access to the capital rather than any moral, social and political considerations. In view of the fact that NEPAD emphasizes that its strategy is meant to help Africa to achieve the poverty reduction goals articulated in the MDGS, that NEPAD ignores the social implications of its proposed strategies, appears to be a serious contradiction.

NEPAD is right in including domestic resource mobilisation as part of its RMS. However, it needs to be pointed out that in fact, because of the poor record of external capital in Africa, there is now a greater need to prioritise internal resource mobilisation by identifying and strengthening institutions such as domestic financial and capital systems, public sector particularly fiscal management in order to enhance mobilisation of tax revenues. Africa should reflect on why in a countries where millions of dollars are mobilised through commercial banks, pension funds, insurance companies, and so on, there should be a shortage of resources to finance infrastructure and human resource development.

Africa also needs to intensify efforts to restore peace , good governance and the rule of law in those countries where civil conflicts, intolerance, break down in law and order, have seriously tarnished the image of the rest of Africa and made it unattractive to capital.

In conclusion, the author wishes to make the following recommendations:

1. The RMS of NEPAD cannot be relied upon to help Africa to achieve development in next few years. The strategy should be thought through more carefully in a more pragmatic and realistic manner. The RMS should put more emphasis on domestic resource mobilisation and provide more details on how that can be achieved. For NEPAD, Africa must first control the sources of leakage: the corruption,

embezzlement of funds, lack of transparency, etc.

Strategies should include:

- a. Design of multi-level strategies to fight corruption, lack of accountability and transparency in key institutions. Such strategies should be at all levels: central government, subnational government, public sector institutions, corporate sector, etc.
 - b. Investments in human resource development particularly in sectors most hit by corruption (mainly public sector)
 - c. Investment in systems of accounting and controls which work.
2. NEPAD should needs to address the social, political and economic implications of the strategies which it proposes. There is need for consistency between the RMS and NEPAD goals of poverty reduction and development.
 3. The MAI, whilst a noble initiative, remains far too general to be useful. NEPAD must centre its MAI on how African leadership can intensify efforts and actually bring about meaningful reforms of those international institutions which are hampering Africa's development. It would be wiser to focus on a narrower but more achievable set of activities in order for Africa to contribute to tangible change.
 4. African leadership should strengthen their networks with those Northern governments and institutions which share in the vision of Africa's development and fighting poverty.

In short, the priority issues for NEPAD therefore should be (in terms of resource mobilisation)

- Address the International Arena: International Trading Arrangements and the New Financial Architecture
- More inward looking approach: Domestic resource mobilisation of resources to be priority over external
- Mobilisation of Domestic Resources as priority and major source
- More Efficient Fiscal Management

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