

A SUMMARY OF
NEPAD
ACTION PLANS



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FOREWORD

The marginalisation of Africa in every aspect, and its current high level of poverty are no longer in doubt and all the evidence have been researched, written and discussed. The issue arising out of these is how to arrest this downward trend and put Africa back firmly on the world's development agenda, and on the path to irreversible and sustainable development, so that Africa truly claims this millennium.

NEPAD has been conceived by African Heads of State as a development framework that will do precisely these things, hence the emphasis on partnership. It is based on the realisation that Africa has offered and continues to offer much to the world and humanity, and the rest of the world owes it a duty to respond to its present situation. NEPAD is about uniting the continent as an economic and trading bloc and increasing its competitiveness. It is about changing the current global market and financial architecture. It recognises that that to do so, Africa must first put its house in order and all African countries must work together toward common goals and objectives. NEPAD brings not just a message of hope, but concrete actions and programmes to realise the hope.

I am delighted to present in brief, details of the work and programmes approved by the Heads of State and Government Implementation Committee of NEPAD. More details are available on the NEPAD website and at the Secretariat. It is planned that more publications, containing the full and technical details that will interest policy makers and businesses will soon be released.

I invite you to join hands together with our Heads of State to unpack and implement the programmes outlined here nationally and regionally. We all have roles to play in implementing these action plans.

I wish to acknowledge with thanks, the Heads of State and Government for their leadership and vision, the contributions of many organisations and persons especially the African Development Bank (ADB), Economic Commission for Africa (UNECA), Food and Agricultural Organisation (FAO), United Nations Environment Programme (UNEP), the World Bank (WB) and the International Monetary Fund (IMF).

I would also like to give special appreciation to my colleagues on the NEPAD Steering Committee, the Personal Representatives to the Heads of State and to my staff at the NEPAD Secretariat for their dedication and support.

Prof W. NKUHLU
Chairperson, NEPAD Steering Committee

Declaration on Democracy, Political, Economic and Corporate Governance

Preamble

1. We, the participating Heads of State and Government of the member states of the African Union (AU), met in Durban, South Africa, at the inaugural Assembly of the African Union and considered the report of the New Partnership for Africa's Development (NEPAD) Heads of State and Government Implementation Committee established at the Organization of African Unity (OAU) Summit in Lusaka, Zambia, in July 2001.
2. In the general context of our meeting, we recalled our shared commitment underlying the establishment of NEPAD to eradicate poverty and to place our countries, individually and collectively, on a path of sustainable growth and development and, at the same time, to participate actively in the world economy and body politic on equal footing. We reaffirm this pledge as our most pressing duty.
3. In reviewing the report of the NEPAD Heads of State and Government Implementation Committee and considering the way forward, we were also mindful of the fact that, over the years, successive OAU Summits have taken decisions aimed at ensuring stability, peace and security, promoting closer economic integration, ending unconstitutional changes of government, supporting human rights and upholding the rule of law and good governance. Among these decisions are:
 - a. The Lagos Plan of Action, and the Final Act of Lagos (1980);
 - b. The African (Banjul) Charter on Human and Peoples' Rights (1981);

- c. The African Charter for Popular Participation in Development (1990);
 - d. The Declaration on the Political and Socio-Economic Situation in Africa and the Fundamental Changes Taking Place in the World (1990); and
 - e. The African Charter on the Rights and Welfare of the Child (1990).
 - f. The Abuja Treaty establishing the African Economic Community (1991);
 - g. The 1993 Cairo Declaration Establishing the Mechanism for Conflict Prevention, Management and Resolution;
 - h. The Protocol on the Establishment of an African Court on Human and Peoples' Rights (1998);
 - i. The 1999 Grand Bay (Mauritius) Declaration and Plan of Action for the Promotion and Protection of Human Rights;
 - j. The Framework for an OAU Response to Unconstitutional Changes of Government (adopted at the 2000 OAU Summit in Lome, Togo, and based on the earlier decision of the 1999 Algiers OAU Summit); and
 - k. The Conference on Security, Stability, Development and Cooperation (CSSDCA) Solemn Declaration (2000); and
 - l. The Constitutive Act of the African Union (2000);
4. We, the member states and parties to the aforementioned instruments, reaffirm our full and continuing commitment to these and other decisions of our continental organization, as well as the other international obligations and undertakings into which we have entered in the context of the United Nations.

Of particular significance in this context are the Charter of the United Nations and the United Nations Universal Declaration on Human Rights and all conventions relating thereto, especially the Convention on the Elimination of All Forms of Discrimination against Women and the Beijing Declaration.

5. Africa faces grave challenges and the most urgent of these are the eradication of poverty and the fostering of socio-economic development, in particular, through democracy and good governance. It is to the achievement of these twin objectives that the NEPAD process is principally directed.
6. Accordingly, we the participating Heads of State and Government of the member states of the African Union have agreed to work together in policy and action in pursuit of the following objectives: -
 - Democracy and Good Political Governance
 - Economic and Corporate Governance
 - Socio-Economic Development, and
 - The implementation of an African Peer Review Mechanism

Democracy and Good Political Governance

7. At the beginning of the new century and millennium, we reaffirm our commitment to the promotion of democracy and its core values in our respective countries. In particular, we undertake to work with renewed determination to enforce
 - The rule of law;
 - The equality of all citizens before the law and the liberty of the individual;
 - Individual and collective freedoms, including the right to form and join political parties and trade unions, in conformity with the constitution;
 - Equality of opportunity for all;

- The inalienable right of the individual to participate by means of free, credible and democratic political processes in periodically electing their leaders for a fixed term of office; and
 - Adherence to the separation of powers, including the protection of the independence of the judiciary and of effective parliaments.
8. We believe in just, honest, transparent, accountable and participatory government and probity in public life. We therefore undertake to combat and eradicate corruption, which both retards economic development and undermines the moral fabric of society.
9. We are determined to increase our efforts in restoring stability, peace and security in the African continent. These are essential conditions for sustainable development, alongside democracy, good governance, human rights, social development, and the protection of the environment and sound economic management. Our efforts and initiatives will also be directed at seeking speedy peaceful solutions to current conflicts and at building Africa's capacity to prevent, manage and resolve all conflicts on the continent.
10. In the light of Africa's recent history, respect for human rights has to be accorded priority and an urgency of its own. One of the tests by which the quality of a democracy is judged is the protection it provides for each individual citizen and for vulnerable and disadvantaged groups. Ethnic minorities, women and children have borne the brunt of the conflicts raging on the continent today. We undertake to do more to advance the cause of human rights in Africa generally and, specifically, to end the moral shame exemplified by the plight of women, children, and the disabled and ethnic minorities in conflict situations in Africa.

11. Women have a central role to play in Africa's efforts at democracy, good governance and economic reconstruction. We accept it as a binding obligation to ensure that women to contribute on a basis of equality to the political and socio-economic development in our countries.

12. To fulfil these commitments we have agreed to adopt the following action plan:

13. In support of democracy and the democratic process

We will:

- Ensure that our respective national constitutions reflect the democratic ethos and provide for demonstrably accountable governance;
- Promote political representation, thus providing for all citizens to participate in the political process in a free and fair political environment;
- Enforce strict adherence to the position of the African Union (AU) on unconstitutional changes of government and other decisions of our continental organization aimed at promoting democracy, good governance, peace and security;
- Strengthen and, where necessary, establish an appropriate electoral administration and oversight bodies in our respective countries and to provide the necessary resources and capacity to conduct elections which are free, fair and credible;
- Reassess and where necessary strengthen the AU and sub-regional election monitoring mechanisms and procedures; and
- Heighten public awareness of the African Charter on Human and Peoples' Rights, especially in our educational institutions.

14. In support of Good Governance

We have agreed to:

- Adopt clear codes, standards and indicators of good governance at the national, sub-regional and continental levels;
- An accountable, efficient and effective civil service;
- Ensure the effective functioning of parliaments and other accountability institutions in our respective countries, including parliamentary committees and anti-corruption bodies; and
- Ensure the independence of the judicial system that will be able to prevent abuse of power and corruption.

15. To promote and protect human rights

We have agreed to:

- Facilitate the development of vibrant civil society organizations, including strengthening human rights institutions at the national, sub-regional and regional levels;
- Support the UN Charter on Human Rights and the African Commission and Court on Human and People's Rights as important instruments for ensuring the promotion, protection and observance of Human Rights;
- Strengthen co-operation with the UN High Commission for Human Rights; and
- Ensure responsible free expression, inclusive of the freedom of the press.

ECONOMIC AND CORPORATE GOVERNANCE

16. Good economic and corporate governance including transparency in financial management are essential pre-requisites for promoting economic growth and reducing poverty. Mindful of this, we have approved eight prioritized codes and standards for achieving good economic and corporate governance.

17. These prioritized codes and standards represent those “fundamental” internationally, regionally, and domestically accepted codes and standards that all African countries should strive to observe within their capabilities. In other words, they are the codes and standards that need to be complied with as a minimum requirement, given a country’s capacity and determination to do so.

18. We believe that the eight prioritized and approved codes and standards set out below have the potential to promote market efficiency, control wasteful spending, consolidate democracy, and encourage private financial flows - all of which are critical aspects of the quest to reduce poverty and enhance sustainable development. These codes and standards have been developed by a number of international organizations through consultative processes that involved the active participation of and endorsement by African countries. Thus, the codes and standards are genuinely global as they were endorsed by experts from a vast spectrum of economies with different structural characteristics. They are the following:

- a. Code of Good Practices on Transparency in Monetary and Financial Policies;
- b. Code of Good Practices on Fiscal Transparency;
- c. Best Practices for Budget Transparency;
- d. Guidelines for Public Debt Management;
- e. Principles of Corporate Governance;
- f. International Accounting Standards;

g. International Standards on Auditing; and the

h. Core Principles for Effective Banking Supervision.

19. We have also approved other key codes and standards in transparency and financial Management. These include

- a. Principles for Payment Systems;
- b. Recommendations on anti-money laundering and;
- c. Core principles for securities and insurance supervision and regulation

Socio-Economic Development

20. We believe that poverty can only be effectively tackled through the promotion of:

- Democracy, good governance, peace and security;
- The development of human and physical resources;
- Gender equality;
- Openness to international trade and investment;
- Allocation of appropriate funds to social development and;
- Create new partnerships between government, the private sector, and with civil society.

21. We reaffirm our conviction that the development of Africa is ultimately the responsibility of Africans themselves. Africa's development begins with the quality of its human resources. We, therefore, undertake to work towards the enhancement of our human resources through the provision of more and better education and training, especially in Information and Communications Technology (ICT) and other skills central to a globalising world; and better

health care, with priority attention to addressing HIV/AIDS and other pandemic diseases.

22. The marginalisation of women remains real despite the progress of recent years. We will, therefore, work with renewed vigour to ensure gender equality and ensure the full and effective integration of women in political and socio-economic development.

23. Globalisation and liberalisation does not mean that there should be no role for government in socio-economic development. It only means an enabling type of intervention. To this end we will foster partnerships between government and the private sector to promote developmental dynamics in which the private sector will be the veritable engine of economic growth, while governments concentrate on the infrastructure development and the creation of an enabling environment.

24. The regional economic communities remain the building blocks for Africa's economic integration. We will, therefore, strengthen them and to relate them to the African Union and its programmes.

25. We welcome the strong international interest in and support for NEPAD. It is our intention to build on this promising foundation, working with our development partners and the wider international community to:

- Forge new forms of international co-operation in which the benefits of globalisation are more evenly shared;
- Create a stable international economic environment in which African countries can achieve growth through greater market access for their exports; the removal of trade barriers, especially non-tariff barriers and other forms of protectionism; increased flows of direct foreign investment; debt cancellation; a meaningful increase in ODA; and the diversification of their economies. Africa's prosperity will be a multiplier in world prosperity.

26. NEPAD is founded on a hardheaded assessment of the political and socio-economic realities in Africa today. We do not, therefore, underestimate the challenges involved in achieving NEPAD's objectives. We thus share a common resolution to work together even more closely in order to end poverty on the continent and to restore Africa to a place of dignity in the family of nations.

27. No African country is a replica of another and no African society is a mirror image of another. However, we believe that the variety within our oneness can be enriching. It is part of the purpose of this Declaration to mobilise all those enriching qualities to build African unity, in respect of the specifics of our countries.

African Peer Review Mechanism

28. We have separately agreed to establish an African Peer Review Mechanism (APRM) on the basis of voluntary accession. The APRM seeks to promote adherence to and fulfilment of the commitments contained in this Declaration. The Mechanism spells out the institutions and processes that will guide future peer reviews, based on mutually agreed codes and standards of democracy, political, economic and corporate governance.

THE AFRICAN PEER REVIEW MECHANISM (APRM)

1. The African Peer Review Mechanism (APRM) is an instrument voluntarily acceded to by Member States of the African Union as an African self-monitoring mechanism.

Mandate of the APRM

2. The mandate of the African Peer Review Mechanism is to ensure that the policies and practices of participating states conform to the agreed political, economic and corporate governance values, codes and standards contained in the Declaration on Democracy, Political, Economic and Corporate Governance. The APRM is the mutually agreed instrument for self-monitoring by the participating member governments.

Purpose of the APRM

3. The primary purpose of the APRM is to foster the adoption of policies, standards and practices that lead to political stability, high economic growth, sustainable development and accelerated sub-regional and continental economic integration through sharing of experiences and reinforcement of successful and best practice, including identifying deficiencies and assessing the needs for capacity building.

Principles of the APRM

4. Every review exercise carried out under the authority of the Mechanism must be technically competent, credible and free of political manipulation. These stipulations together constitute the core guiding principles of the Mechanism.

Participation in the African Peer Review Process

5. Participation in the process will be open to all member states of the African Union. After adoption of the Declaration on Democracy, Political, Economic and Corporate Governance by the African Union, countries wishing to participate in the APRM will notify the Chairman of the NEPAD Heads of State and Government Implementation Committee.

This will entail an undertaking to submit to periodic peer reviews, as well as to facilitate such reviews, and be guided by agreed parameters for good political governance and good economic and corporate governance.

Leadership and Management Structure

6. It is proposed that the operations of the APRM be directed and managed by a Panel of between 5 and 7 Eminent Persons. The members of the Panel must be Africans who have distinguished themselves in careers that are considered relevant to the work of the APRM. In addition, members of the Panel must be persons of high moral stature and must have demonstrated commitment to the ideals of Pan Africanism.
7. Participating countries will nominate candidates who must be appointed to the panel. They will be short listed by a committee of Ministers and appointed by the Heads of State and Governments of the participating countries. In addition to the criteria referred to above, the Heads of State and Governments will ensure that the panel has expertise in the areas of political governance, macro-economic management, public financial management and corporate governance. The composition of the Panel will also reflect broad regional balance, gender equity and cultural diversity.
8. Members of the Panel will serve for up to 4 years and will retire by rotation.
9. The Heads of State and Government of participating countries will appoint one of the members of the Panel as Chairman. The Chairperson will serve for a maximum period of 5 years. The criteria for appointment to the position of Chairperson will be the same as for other members of the Panel, except that the candidate will be a person with a proven leadership record in one of the following areas; Government, public administration, development and private sector.
10. The Panel will exercise the oversight function over the review process, in particular to ensure the integrity of the process. Its mission and duties will be outlined in a Charter, which will also spell out reporting arrangements to the Heads of State and Government of participating countries. The Charter will secure the independence, objectivity and integrity of the Panel.
11. The Secretariat may engage, with the approval of the Panel, the services of African experts and institutions that it considers competent and appropriate to act as its agents in the peer review process.

12. The Panel will be supported by a competent Secretariat that has both the technical capacity to undertake the analytical work that underpins the peer review process and also conforms to the principles of the APRM. The functions of the secretariat will include; maintaining extensive database information on political and economic developments in all participating countries, preparation of background documents for the Peer Review Teams, proposing performance indicators and tracking performance of individual countries.

Periodicity and Types of Peer Review

13. At the point of formally acceding to the peer review process, each State should clearly define a time-bound Programme of Action for implementing the Declaration on Democracy, Political, Economic and Corporate Governance, including periodic reviews.

14. There will be four types of reviews:

- The first country review is the base review that is carried out within eighteen months of a country becoming a member of the APRM process;
- Then there is a periodic review that takes place every two to four years;
- In addition to these, a member country can, for its own reasons, ask for a review that is not part of the periodically mandated reviews; and
- Early signs of impending political or economic crisis in a member country would also be sufficient cause for instituting a review. Participating Heads of State and Government can call for such a review in a spirit of helpfulness to the Government concerned.

APRM Process

15. The process will entail periodic reviews of the policies and practices of participating states to ascertain progress being made towards achieving mutually agreed goals and compliance with agreed political, economic and corporate governance values, codes and standards as outlined in the Declaration on Democracy, Political, Economic and Corporate Governance.

16. The peer review process will spur countries to consider seriously the impact of domestic policies, not only on internal political stability and economic growth, but also on neighboring countries. It will promote mutual accountability, as well as compliance with best practice.

17. Bearing in mind that African countries are at different levels of development, on joining the Mechanism, a country will be assessed (the base review) and a timetable (Programme of Action) for effecting progress towards achieving the agreed standards and goals must be drawn up by the state in question, taking into account the particular circumstances of that state.

Stages of the Peer Review Process

18. **Stage One** will involve a study of the political, economic and corporate governance and development environment in the country to be reviewed, based principally on up-to-date background documentation prepared by the APRM Secretariat and material provided by national, sub-regional, regional and international institutions.
19. In **Stage Two**, the Review Team will visit the country concerned where its priority order of business will be to carry out the widest possible range of consultations with the Government, officials, political parties, parliamentarians and representatives of civil society organizations (including the media, academia, trade unions, business, professional bodies).
20. **Stage Three** is the preparation of the Team's report. The report is prepared on the basis of the briefing material prepared by the APRM Secretariat and the information provided by official and unofficial sources during the wide-ranging consultations and interactions with all stakeholders. The report must be measured against the applicable political, economic and corporate governance commitments made and the Programme of Action.
21. The Team's draft report is first discussed with the Government concerned. Those discussions will be designed to ensure the accuracy of the information and to provide the Government with an opportunity both to react to the Team's findings and to put forward its own views on how the identified shortcomings may be addressed. These responses of the Government will be appended to the Team's report.
22. The Team's report will need to be clear on a number of points in instances where problems are identified. One of these will be will on the part of the Government to take the necessary decisions and measures to put right what is found to be amiss. Another will be the availability of resources to implement the recommended corrective measures. An appropriate balance will be found on the amount that must come from government and that from external sources. Given the necessary resources, an appropriate time frame will have to be determined for the process of rectification.

23. The **Fourth Stage** begins when the Team's report is submitted to the participating Heads of State and Government through the APRM Secretariat. The consideration and adoption of the final report by the participating Heads of State and Government, including their decision in this regard, marks the end of this stage.
24. If the Government of the country in question shows a demonstrable will to rectify the identified shortcomings. It will then be incumbent upon participating Governments to provide what assistance they can, as well as to urge donor governments and agencies also to come to the assistance of the country reviewed. However, if the necessary political will is not forthcoming from the Government, the participating states should first do everything practicable to engage it in constructive dialogue, offering in the process technical and other appropriate assistance. If dialogue proves unavailing, the participating Heads of State and Government may wish to put the Government on notice of their collective intention to proceed with appropriate measures by a given date. The interval should concentrate the mind of the Government and provide a further opportunity for addressing the identified shortcomings under a process of constructive dialogue. Such measures should always be utilized as a last resort.
25. Six months after the report has been considered by the Heads of State and Government of the participating member countries, it should be formally and publicly tabled in key regional and sub-regional structures such as the Pan-African Parliament, the African Commission on Human and Peoples' Rights, the envisaged Peace and Security Council and the Economic, Social and Cultural Council (ECOSOCC) of the African Union. This constitutes the **Fifth and final stage** of the process.

Duration of the Peer Review

26. The duration of the review process per country should not be longer than six months, commencing on the date of the inception of Stage One up to the date the report is submitted for the consideration of the Heads of State and Government.

Funding of the Peer Review Mechanism

27. Funding for the Mechanism will come from assessed contributions from participating member states.

Review of the APRM

28. To enhance its dynamism, the Conference of the participating countries will review the APRM once every five years.

GOOD ECONOMIC AND CORPORATE GOVERNANCE

A Introduction

The overall goal of the New Partnership for Africa's Development (NEPAD) is to evolve and promote an Africa owned, led and managed framework for accelerated and sustainable growth and development of the African continent. This is achievable through significant improvement in the management of national resources and by enhancing the competitiveness of Africa in a global market.

The promotion and maintenance of good economic and corporate governance, ably complemented by good political governance, are necessary ingredients for achieving this goal. However, the current level of economic and corporate governance leaves much to be desired, and has been adjudged as the major cause of Africa's backwardness. The desire to address this deficiency is the motivation for this governance initiative by NEPAD.

B Key Issues And Problems

The current state of economic and corporate governance in Africa is characterised by the following:

1. Many African states face considerable economic and corporate governance constraints which affect both the state's ability to formulate, carry through and track the outcomes of economic policy decisions or adequately monitor the activities of economic agents.
2. This deficiency in part results from, and further accentuates the problems of lack of or low level of accountability, transparency and inclusive participatory economic management processes, which have put the African continent in a disadvantageous position in the global economy.
3. Among the comity of nations, Africa is recognised as marginalized in the on-going globalisation process, as well as for its most severe poverty profile compared to other parts of the world. .
4. The economies of most African countries are characterised by unstable and inconsistent macroeconomic policies and programmes, fiscal indiscipline debt overhang, corruption, highly skewed income distribution and abject poverty, most of which are attributable to weak economic and corporate governance infrastructure.
5. National Parliaments still need more support to enable them to perform creditably their oversight function over national economic policies and programmes, while the generally less developed private sector lacks adequate capacity to contribute meaningfully to economic policy discussions and decisions.

6. The civil society organisations are fragile and lack information and capacity to participate meaningfully in national economic decisions or hold government accountable for its actions.

C Strategy For Addressing Problems

The kernels of good economic and corporate governance include inclusive participatory national economic policy process, good corporate ethics, as well as enforcement in accordance with the rule of law, of internationally accepted relevant codes and standards.

Towards this end, the following strategies are recommended for the realisation of the above kernels:

- a) Development of the private sector, with special attention to small- and medium- scale enterprises;
- b) Empowerment of the civil society in economic policy analysis and budget advocacy;
- c) Enhancement of the oversight capacity of the Parliament;
- d) Fostering partnership among: (i) public sector, private sector and the civil society within each African country; and (ii) African countries and development partners.
- e) Ensure commitment to the promotion and maintenance of generally accepted codes and standards of good economic and corporate governance, such as those relating to transparency in monetary and fiscal policies and national budget process; public debt management; corporate governance as well as accounting and auditing.
- f) Capacity building for a pro-active, productive and results-oriented public service for meeting the economic management requirements of African countries within the global economy.

D Action Plans

To achieve the above, the following actions plans are recommended:

- i) Establish the identified good economic and corporate practices in each member country;
- ii) Assess each country's level of compliance with the minimally acceptable codes and standards with a view to documenting the nature, extent and causes of any gaps;
- iii) Identify and satisfy the capacity building requirements of the public service and the private sector with a view to addressing the gaps;
- iv) Undertake appraisal of corporate governance practices in each country;

- v) Review economic laws and regulations in order to remove contradictions, obnoxious items, and streamline those that are prone to discretionary application which encourage corrupt tendencies by public officials;
- vi) Characterise through national opinion survey and other means the nature, extent, and causes of corruption in each country;
- vii) Modernise for greater effectiveness and efficiency public revenue, expenditure and budget tracking processes through the adoption of modern technology.
- viii) Establish peer review mechanism to promote adherence to sound and generally accepted codes and standards of good economic and corporate governance

FRAMEWORK FOR THE IMPLEMENTATION OF BANKING AND FINANCIAL STANDARDS

Introduction

Strong institutions and sound policies must underpin the market as this will stabilize the financial sector and deal with the high-perceived risk that constitutes a barrier to financial integration and harness the benefits of globalization. This is central to the continuing endeavor to improve Africa's economic performance. This also necessitates that the economic affairs of countries must be transparent and consistent.

At the national level, the adoption of internationally recognized standards of good practice in key areas of economic and financial policy should help improve the transparency, accountability, and credibility of policy, and increase the robustness and effective functioning of markets. A robust and healthy financial system should contribute to faster income growth through the attraction of investment, better resource allocation and a more efficient provision of financial resources. The standards themselves also provide policymakers with guideposts or benchmarks for implementing structural reform, building institutional and supervisory capacity, and promoting an enabling environment for investment. The assessment of country practice against these standards helps highlight potential vulnerabilities, identify priorities for reform, prevents crisis and boosts investment and growth. Increasingly, private sector investors use a country's compliance with international standards as benchmarks for their investment decisions and credit risk assessments.

At the regional level, the adoption of international standards should help enhance regional integration and improve the prospects of growth by (i) supporting and underpinning the creation of a good policy and institutional environment; (ii) facilitating the coordination of national investment policies and developing a common investment area; (iii) promoting cross-border and regional financial market networks; and (iv) reinforcing collective action for reducing the level of risk.

Components

The most relevant standards for achieving financial system soundness should relate to:

- Macroeconomic Policy and Data Transparency – for Government policymaking and operations;
- Corporate governance standards for enterprise and market integrity;
- Financial Regulation and Supervision -- for financial system stability

Many of the standards and codes in these areas deal with general economic and corporate governance issues but those that are specific to the banking and financial sector include the Code of Good Practices on Transparency in Monetary and Financial Policies, as well as all those standards dealing with Financial Regulation and Supervision (banking, securities and insurance core principles) and Market Integrity (including payments and settlements and anti-money laundering standards).

Strategic Issues

International standards have only recently been developed, and there is limited awareness of them. A review of the compliance of African countries to these standards shows that only a few nations have made progress in implementing standards. Furthermore, even in these countries coverage of the key standards is not adequate. The experience indicates the importance of taking into consideration certain factors in the assessment and design of implementation of standards, including variation in implementation of the different standards, the establishment of certain key preconditions, particularly macroeconomic conditions and legal and accounting framework, complexities due to interconnectedness of the standards, and the country-specific factors. The experience also indicates that, generally, progress in implementing standards will depend on

- Raising awareness about them and explaining their role,
- Assessing the constraints and formulating measures to address them,
- Formulating appropriate guidelines to reflect national characteristics and specificities of the African economies, most of which are in transition,
- Promoting country ownership,
- Providing a judicious blend of market and official incentives for the adoption and implementation of standards,
- Adopting a peer review mechanism, and
- Mobilising resources towards the implementation of standards.

Country-Specific Action Plans

The centerpiece for facilitating progress in adopting financial banking standards under NEPAD is the proposed African Peer Review Mechanism (APRM), the implementation of which could also be designed to incorporate the other above requirements for progress. The mechanism will help African countries identify constraints they face in implementing good governance, including the international financial standards and codes, and facilitate formulation of credible and action-oriented programs that can be implemented to address the constraints in collaboration with bilateral and multilateral donors and African regional institutions. The peer reviews will also enable African countries to share each other's experiences in tackling the constraints. In addition, they will help monitor the performance in the different countries and furnish the basis on which other African countries can provide encouragement and advice for the progress of peer countries. However, countries are at different stages of development and what would be peer-reviewed would not be the base conditions but the assessment of progress being made to redress weaknesses. Using an independent team for the assessments would reinforce the commitment to objectivity and help consistency across different countries. Therefore, the peer reviews would be based on external or assisted assessments. The organization of the peer reviews would be undertaken in three stages involving the organization of assessments of the base situation; development of action plans; and peer review of progress.

The *first stage* of the peer review process would be the assessment of the base conditions through either the Financial Sector Assessment Programs (FSAPs), or assisted assessments organized by the African Peer review Unit. These would be based at the African Union Secretariat, with support from the standard setting bodies as well as bilateral and multilateral donors and African regional institutions. While a lead agency may be designated to assist the APR Unit in coordinating the process, relevant African financial and professional associations such as the Association of African Central Banks and various associations of banking supervisors would also be drawn into playing a key role. The assessments would accommodate different degrees of financial system development and range of administrative capacities. They would, however, identify gaps and weaknesses in the implementation of standards and make recommendations to facilitate the formulation of an action plan.

Following the initial assessments, countries will draw, in *stage two*, time-bound Action Plans to deal with the identified weaknesses in their compliance with financial standards and codes. These plans would design a sequence in implementation to facilitate success and link the pace of implementation to the speed by which adequate preparations could be made in terms of mobilising the necessary resources, building the requisite technical capacity, and equipping the relevant institutions.

The action plans would also take into consideration the country's level of financial system development. Particular attention would also be paid to the establishment of the critical preconditions (including the legal framework and relevant

institutional capacity). To promote country ownership and wide public acceptance, the action plans would be widely discussed at national workshops.

In *stage three*, progress in the implementation of the action plans would be subjected to peer reviews to ensure that countries keep the commitments they have made. In view of the highly technical nature of the financial standards and codes, it is proposed that the regional/sub-regional Associations of African Central Banks and of Banking Supervisors be given key roles in the reviews.

Cost Implications

Implementation costs would include the cost of undertaking the assisted assessments (about USD 50,000 per country); dissemination activities (about USD 100,000 per regional workshop but less for local workshops), capacity building, developing the legal framework, developing specific standards for the core principles, and the legislative and administrative processes.

Partnership for Progress

Fostering implementation of standards has to be a *shared responsibility*. Primary responsibility for the effort will rest with the African countries that would be the principal beneficiaries of the positive impact of compliance with standards. However, the international financial institutions (such as the IMF, World Bank, and the Financial Stability Forum (FSF) that have worked on developing the standards and the frameworks for assessing their promulgation and observance), bilateral donors (that can provide technical and financial support) and African regional organizations (especially the African Development Bank that is mandated to be in the lead role) will also have to play major roles. Such collaboration would not only help to avoid duplication but would also ensure that programs to foster implementation of banking and financial standards are consistent with other national economic reform programs.

Time Frame

Short to Medium-term

In the short to medium term (2002-2004) it is expected that assessments of the basic conditions would have been undertaken to enable drawing up of all country-specific action plans and the monitoring of progress under the peer review process. Activities to be undertaken during this period will, therefore, include:

- Developing of Guidelines (to reflect African specificities) for Implementing the Core Standards;

- Organising dissemination workshops;
- Organising assisted assessments (first stage of Peer Review) for countries that have not gone through the FSAPs;

Medium to Long term

- Formulation of country-specific action plans;
- Start of monitoring of progress in implementing action plans in connection with the peer review process

MONEY LAUNDERING

I. OBJECTIVE & IMPORTANCE

Money laundering can be defined as the conversion of criminally obtained money into apparently lawfully obtained money by re-cycling the tainted money through banks and other legitimate financial institutions. This contributes to global problems that not only adversely affect national security, but also harm financial systems, and impact negatively on economic prosperity. This negative impact on economic prosperity is the corruption that accompanies this money laundering. The negative affect is also manifested when laundered money is used to further drug trafficking and/or to finance terrorism. The financing of terrorism has now placed money laundering higher on the global agenda. In addition to the interests commonly shared with other members of the international community, African countries have a special interest in the recovery of stolen assets placed in the global financial system. Global efforts are being employed to tackle the problem of money laundering.

II. STRATEGIC ISSUES & CURRENT POLICY PROBLEMS

1. Several international conventions, standards, best practices and resources to address money laundering have been and are being developed. These efforts have been expressed in United Nations conventions, reports, and programs. Support has also come from various regional organizations. In 1989, the G-7 Economic Summit Group established the Financial Action Task Force on Money Laundering (FATF), which operates out of the OECD headquarters in Paris as an inter-governmental body to develop and promote policies to combat money laundering. The FATF "*Forty Recommendations*" dealing with legal requirements, financial and banking controls. Additionally, there is the *Statement on Prevention of Criminal Use of the Banking System for the Purpose of Money-Laundering* issued by the Basel Committee on Banking Regulations and Supervisory Practices. Jointly the International Monetary Fund and World Bank have established Financial Sector Assessment Program (FSAP) and the Fund has an Offshore Financial Center (OFC) initiative. Concurrent with the anti-money laundering and combating the financing of terrorism (AML/CFT) assessment effort, the IMF and World Bank are engaged with the FATF on convergence—including the development of a *Report on Standards and Codes* module—to a global anti-money laundering standard. The AML/CFT methodology takes as its basis existing international standards and supporting documentation prepared by the Basel Committee on Banking Supervision (Basel), the Financial Action Task Force on Money Laundering (FATF), the International

Organization of Securities Commissions (IOSCO), and the International Association of Insurance Supervisors (IAIS). On 21 April 2002, during the semi-annual meeting of the World Bank, it was announced that a multi-donor trust fund of USD 40 million is being established to provide technical assistance on financial standards and codes. The resources of the trust fund are to be spent over a three-year period. The trust fund, which will be managed out of London and co-coordinated out of Washington, will expend its resources on various projects, including anti-money laundering.

2. African countries have also succeeded in placing the return of their of stolen assets at the top of the international agenda alongside combating the financing of terrorism. Additionally, it would be imperative to design and install appropriate: (i) legal and institutional frameworks to ensure practical compliance to international conventions, standards, and best practices; (ii) supervisory and regulatory frameworks for prudentially regulated financial sectors (banking, insurance, and securities); and (iii) a regulatory framework for other providers of financial services.
3. Many African countries are constrained by the absence of financial resources, lack of political will, and the lack of technical and human resources to implement international conventions and standards and to assess the capabilities required to effect meaningful changes. This therefore requires strengthening national and regional capabilities, as appropriate, to deal with creating the frameworks referred to in the preceding paragraph.
4. The effectiveness of a country's anti-money laundering efforts is to be closely linked with other financial systems, macroeconomic fundamentals and institutional and market fundamentals. For example, financial intermediaries would be required to verify the identity of customers, to keep records of financial transactions, and to report unusual or suspicious transactions to a competent authority. Compliance with banking and financial standards is, therefore, regarded as an important precondition for successful tracking of laundered funds. Compliance with standards would also support the creation of a good economic and institutional environment and help build investor confidence and improve access to private capital. So far, a few African countries have begun to gradually strengthen their capacity to implement standards. Their efforts have been assessed by the IMF through its *Reports on the Observance of Standards and Codes* (ROSC's) as well as within the framework of the Financial Sector Assessment

Program (FSAP). Fostering implementation of banking and financial standards is a key focus area of NEPAD.

III. Action Plans

Specific actions required include:

In the short-term

- (i) Implementation of measures to facilitate financial sector assessments;
- (ii) Obtaining international assistance for training in anti-money laundering measures;
- (iii) Placing the recovery of stolen assets at the highest level on the global agenda.

In the medium-term

- (iv) Adoption by African states of relevant international conventions, standards, and best practices;
- (v) Permitting international legal assistance in anti-money laundering matters based on accepted international law standards;
- (vi) Establishment or strengthening of laws regulating the duties and responsibilities of participants in financial institutions;
- (vii) Establishment and strengthening of laws relating to anti-corruption measures and prosecutorial capacities;
- (viii) Adoption of national laws that provide for the criminalisation of money laundering and financing of terrorism;
- (ix) Improving co-operation within and without Africa to help recover funds illegally acquired through corruption and criminal activity that are subsequently deposited in foreign countries.

In the long term

- (x) Development and strengthening of judiciaries to enhance their independence and international credibility;
- (xi) Strengthening arrangements for access to courts and investigative authorities especially in developed countries;
- (xii) Establishment of strong and reliable regulatory and intelligence authorities.

IV Partnership Arrangements

Competent authorities of African states should enter into agreements/memoranda of understanding with foreign authorities to facilitate international co-operation and exchange of information in money laundering or the financing of terrorism. It is essential for national authorities to have in place mechanisms whereby financial information relevant to the prevention of money laundering and the financing of terrorism is collected, analysed, and disseminated to appropriate supervisory and law enforcement authorities. A centralised, national AML/CFT Competent Authority (or Financial Intelligence Unit) should be responsible for the collection, analysis, and dissemination of financial and other relevant information and intelligence concerning suspected proceeds of crime or terrorism finance.

The United Nations, the European Union, the United States of America, the OECD, the international financial institutions (including the multi-lateral development banks) have committed to work against money laundering. Together these represent the core of partnership relationships in the fight against money laundering.

Agriculture and Market Access

The NEPAD Context

1. The world has entered the new millennium in the midst of an economic revolution. This revolution provides both the context and the means for Africa's rejuvenation. While globalisation has increased the cost of Africa's ability to compete, African leadership holds that the advantages of an effectively managed integration process that presents the best prospects for future economic prosperity and poverty reduction.
2. The current economic revolution has, in part, been made possible by advances in information and communications technology (ICT), which have reduced the cost of and increased the speed of communications across the globe, abolishing pre-existing barriers of time and space, and affecting all areas of social and economic life. It has made possible the integration of national systems of production and finance, and is reflected in an exponential growth in the scale of cross-border flows of goods, services and capital.
3. The integration of national systems of production has made it possible to "slice up the value chain" in many manufacturing and service-sector production processes. At the same time, the enhanced mobility of capital means that borrowers, whether governments or private entities, must compete with each other for capital in global rather than national markets. Both these processes have increased the costs to those countries that are unable to compete effectively. To a large extent, these costs have been borne disproportionately by Africa.
4. Economic advancement will ultimately be the surest way to achieve the vision encapsulated in NEPAD, and agriculture is destined to be the one economic sector to deliver broadly based economic advancement. While other economic sectors, such as petroleum, minerals and tourism, may also contribute significantly to African economic growth, agriculture's importance is rooted in the fact that more than 70% of Africa's poor reside in rural areas. Within NEPAD agriculture will act as the economic spearhead or the engine of economic growth, in Africa's quest for a prosperous continent free of conflict and in which people can participate effectively in economic activity.
5. NEPAD does not replace or compete with other initiatives, but establishes linkages and synergy between its own activities and programmes and the other initiatives. Agriculture is among the six sectoral priority areas identified by African leaders.

6. Africa's vision of agriculture as the engine of NEPAD-inspired growth implies a dual purpose for agricultural development. First it implies benefits for the sector itself: to improve the livelihood of the people in the rural areas, to achieve food security, and to increase export of the sector. Secondly, it implies that growth in the agricultural sector will stimulate growth in other economic sectors. The agricultural sector has deep linkages to other industries both upstream and downstream along the production chain, viz. transport, distribution, international trade, finance, equipment, education, etc. Thus, if agricultural output increases by 6% per annum as projected by the Forum for Agricultural Research in Africa (FARA), its real impact will extend far beyond the value output associated with the 6% growth rate.
7. Agricultural development will occur in tandem with developments in the other five priority sectors identified by NEPAD. Within NEPAD, it is anticipated that agriculture will act as the prime engine of economic growth. Accordingly NEPAD has determined that agriculture will be the one economic sector to deliver broadly based economic advancement through improved food security, income generation and diversified export growth.
8. Key aspects of African agriculture need to be transformed if its comparative advantage is to be realised. Enhancing agricultural productivity will make significant contributions to sustainable and accelerated economic growth where agricultural products have comparative advantage in servicing domestic, regional and international markets. Diversification and intensification will reduce agricultural risk and enhance food security.
9. Currently, OECD agricultural protection measures and EU Common Agricultural Policy subsidies amount to some US \$ 1 billion per day. These distortions inhibit price formation and have adversely affected national income generation throughout Africa. The incentives for reducing the impact are clear – food security, poverty alleviation, income generation and diversified export promotion all stand to gain. Therefore, enabling a much more demand-led response to local needs and international markets presents a major opportunity for Africa's comparative advantage in agriculture to be realised.

Present situation

10. The latest figures (for 1997-99) show that some 200 million people – or 28% of Africa's population - are chronically hungry, compared to 173 million in 1990-92. While the proportion of the population facing hunger is dropping slightly, the absolute numbers are rising inexorably. During the 1990's declines in the number of hungry have been registered in only 10 countries. At the end of the 1990's, 30 countries had over 20% of their population undernourished, and in 18 of these over 35% of the population were chronically hungry. As of 2001, about 28 million people in Africa were facing

food emergencies, due to droughts, floods and strife, of which some 25 million needed emergency food and agricultural assistance.

11. In line with the rise in the number of hungry, there has been a progressive growth in food imports in the last years of the 20th century, with Africa spending an estimated US\$ 18.7 billion in 2000 alone. At the same time, food aid gives evidence of considerable external dependency: in 2000 Africa received 2.8 million tons, which is over a quarter of the world total. Imports of agricultural products have been rising faster than exports since the 1960s and Africa as a whole has been a net agricultural importing region since 1980. Agriculture accounts for about 20 % of total merchandise exports from Africa, having declined from over 50 % in the 1960s. For Africa as a whole, the agricultural sector accounts for about 60% of the total labour force, 20% of total merchandise exports and 17% of GDP.
12. Until the incidence of hunger is brought down and the import bill reduced by raising the output of farm products which the region can produce with comparative advantage, there is no way in which the high rates of economic growth to which NEPAD aspires can be attained. People suffering from hunger are marginalised within the economy, contributing little to output and still less to demand. Investing in reducing hunger is a moral imperative but it also makes economic sense. Agricultural-led development is fundamental to cutting hunger, reducing poverty (70 % of which is in rural areas), generating economic growth, reducing the burden of food imports and opening the way to an expansion of exports.

Opportunities

13. There are three fundamental mutually reinforcing pillars, in conjunction with the indispensable supportive technology generation and adoption systems' component, on which to base the improvement of Africa's agriculture, food security and trade balance:
 - The area under sustainable land management and reliable water control systems must be extended. Soil fertility and the moisture holding capacity of agricultural soils must be enhanced. Finally, rapidly increasing the area equipped with irrigation, especially small-scale water control, will not only provide farmers with opportunities to raise output on a sustainable basis but will also contribute to the reliability of food supplies. It may be noted that for Africa the percentage of arable land that is irrigated is 7% (barely 3.7 % in Sub-Saharan Africa), the corresponding percentages for South America, East and South-East Asia and South Asia being 10%, 29% and 41% respectively. Furthermore, in Africa 16% of all soils are classified as having low nutrient reserves while in Asia the equivalent figure is only 4%. Moreover, fertiliser productivity (expressed in terms of maize yield response) in Africa is

estimated at some 36% lower than in Asia and 92% lower than in developed countries;

- Food supply must be increased and hunger reduced. By accessing improved technology – much of which is simple and relatively low in cost – small farmers can play a major role in increasing food availability close to where it is most in need, raising rural incomes, expanding employment opportunities and contributing to a growth in exports. This requires improved farm support service, pilot projects at the level of poor communities and a supportive policy environment. Africa currently lags behind all other regions in farm productivity: in 2001 its cereal yield averaged 1230 kg/ha compared to 3090 kg/ha for Asia, 3040 kg/ha for Latin America and 5470 kg/ha for the European Union. These low yields are a reflection of Africa's limited use of irrigation and of yield-enhancing inputs such as fertilisers and improved seeds. The livestock industry also benefits little from vaccines. For fertiliser, a particularly critical input, Africa uses some 19 kg/ha per year, compared to 100 kg/ha in East Asia and 230 kg/ha in Western Europe;
 - Rural infrastructure and market access must be improved. Improvements in roads, storage, markets, packaging and handling systems, and input supply networks, are vital to raising the competitiveness of local production vis-à-vis imports and in export markets. Investment in these areas will stimulate the volume of production and trade thereby generating an appropriate rate of return on needed investments in ports and airport facilities. In general Africa needs infrastructure improvements urgently for development given that it faces the longest distances to the nearest large markets; a fifth of its population is landlocked; its rail freight is under 2% of the world total, marine freight capacity 11%, and air freight less than 1%; and its power generation capacity per capita is less than half that in either Asia or Latin America. In parallel with improvements in infrastructure, adjustments are needed in the subsidy policies of developed countries and exporting countries within the region need to raise their capacity to participate in trade negotiations and to meet the increasingly stringent quality requirements of world trade.
14. The implementation of the programme will be undertaken at regional level in co-operation with regional economic organisations and unions and also at national level. Preliminary estimates suggest that required investments in these three pillars between now and 2015 would have the order of magnitude below. Converting them to reality will involve the formulation of specific bankable projects, a task which involves the countries, their regional organisations and external partners.
- Extending the area under sustainable land management and reliable water control systems: Increasing the area to 20 million ha: US\$37 billion;

- Increasing food supply and reducing hunger: Raising the productivity of 15 million small farms through improved technology, services and policies: US\$7.5 billion; and
- Improving rural infrastructure and market access: US\$90 billion of which US\$ 62 billion would be for roads. To protect this investment would require allocations for maintenance estimated at a total some US\$37 billion over the period 2003-2015.

15. This implies an annual investment in core activities of some US\$ 15 billion (or around two thirds of the annual cost of food imports) between 2003 and 2015, leaving aside maintenance costs. An important part of this will come from investments by the beneficiaries themselves and from domestic resource mobilisation but for many countries, additional ODA and private inflows will be required, in line with the Monterrey commitments. In order to have an immediate impact on hunger, these production-related investments need to be complemented by targeted safety nets and measures to address food emergencies.

Strategic thrusts, rationale, targets and action

16. Under the declared strategic thrusts, the following sample actions/outputs are proposed and it is anticipated that more proposed actions will follow as NEPAD's development agenda evolves.

Strategic thrust 1: Extending the area under sustainable land management and reliable water control systems

Rationale: Continued investment in water management and land improvement is essential if Africa is to reduce its vulnerability to climatic risk and meet targets for poverty alleviation, food security and economic recovery.

Target: Expand the area under irrigation by 50% to approximately 15 million hectares and implement soil fertility programmes on these and 5 million hectares of rain-fed land to increase agricultural production and food security.

Action: Implementation of a proposal on country specific investments in land and water. The preparatory phase of this proposal is estimated to cost US \$ 1.2 million. Short-term investment requirements (2002-2005) are estimated at US \$ 9.9 billion, the medium term investment requirements (2006-2010) at US \$ 20.1 billion and the long-term requirements (2011-2015) at US \$ 6.8 billion. The source of funding, when making distinction between LIFDCs and non-LIFDCs, is envisaged as follows: 48% by governments, 22% from ODA and 29% by the private sector (farmers).

Strategic thrust 2: **Improving Rural Infrastructure and Market Access**

Rationale: Africa's economies depend heavily upon the production and trade of a limited number of commodities. Horizontal diversification of production and export will enlarge the production base and vertical diversification will enhance the inter-sector links between agriculture and industry.

Target: Increase net cotton exports by 2.6% per year to reach 1.4 million tonnes in 2015.

Action: Implement a sub-regional proposal to revitalise the cotton- and related agro-processing industry in Eastern and Southern Africa that focuses on the promotion of value-added, high quality cotton production through the provision of research, extension services, improved inputs and marketing services. The proposal short-term investment requirements (2002-2005) are estimated at US \$ 18 billion, the medium term investment requirements (2006-2010) at US \$ 27 billion and the long-term requirements (2011-2015) at US \$ 8 billion. The source of funding is envisaged as follows: 17% by governments, 8% from ODA and 75% by the private sector (farmers and industry).

Strategic thrust 3: **Increasing Food Supply and Reducing Hunger**

Rationale: Substantially increased domestic production is key to improved food security, income generation and reduced food import dependency. In West Africa the current import of rice is estimated at some US \$ 1 billion per annum and imports are projected to increase by 60% to about 9.4 million tons per year by 2015 without changing the current status.

Target: Reduce rice imports by 50% to 4.7 million tons and meet increased demand through accelerated domestic production.

Action: Implement the Africa Rice Initiative which aims to expand the production of new rice varieties (NERICA), particularly in West Africa, as well as other improved cultivars in the continent. The cost is estimated at US \$ 2.5 billion over five years and includes expansion of rice production in Eastern and Southern Africa where irrigated rice production predominates. The source of funding is envisaged as follows: 32% by governments, 20% from ODA and 48% by the private sector (farmers and industry).

Strategic thrust 3: **Combat Africa's Food and Agriculture Emergencies**

Rationale: Africa's immediate needs for agricultural renewal will involve emergencies when large parts of the population are displaced within or outside borders or productive lands are flooded or rendered barren by drought, long-term agricultural development gains can be reversed overnight. Considering its high indebtedness and current account deficit, Africa is obliged to divert its very scarce resources to food imports. It does so at a cost to investment in its future; Africa is a continent that is consuming without being able to create assets for the future. Therefore to ignore this dimension would be a disservice to securing stable agricultural development in the region.

Target: Estimates prepared for the OAU in year 2000¹ suggest investments between 1998 and 2010 of some US\$60 billions. The scope could include several main lines of interlinked activity related to emergencies: response to emergencies; prevention and preparedness; post-emergency relief and rehabilitation and the establishment and operation of effective information and early warning systems.

Action: Establish strategic regional, sub-regional reserves (buffer stocks for emergency); enhance the capacity building for forecasting, prevention and mitigation of adverse effects of natural disasters, including drought; improve water management by better capturing and storing rainwater for use in times of drought; combat desertification and expand and improve the emergency prevention systems (EMPRES) for plant and animal pests and diseases. The cost involved are estimated at US\$5 billion per year.

¹ FAO Contribution towards a strategy for sustainable agricultural development and food security in the member countries of the Organisation of African Unity (OAU) with special reference to climatic emergencies. The net estimate for emergencies is derived by elimination after exclusion from a total of US\$193 billions (1998-2010) of the following costs: irrigation (US\$21.4 billions); livestock development (US\$23.1 billions); agro-industry (US\$55.9 billion) and marketing (US\$32.7 billions). These estimates cover 43 OAU countries (out of a total of 53). Reported in: Overview and key issues in agriculture. New Partnership for Africa's Development (NEPAD). Food and Agriculture Organization of the United Nations (FAO). NEPAD Work In Progress Review Workshop, Benoni, South Africa. (24-27 January, 2002)

Strategic thrusts 1, 2 and 3: **Increasing agricultural productivity and sustainability**

Rationale: The goal of achieving 7% annual GDP growth rate for the next 20 years requires 6% annual growth rate in agricultural output, anchored on a 3% annual increase in total factor productivity and an equivalent fixed investment in agriculture over the same period.

Target: Double current level of annual spending (US \$ 1.1 billion) on agricultural research and extension over 10 years Africa-wide (i.e., by 7.2% p.a.).

Action: Implement a proposal on strengthening capacity of national research and extension systems. Provision is made for reformed institutions, enhanced collaboration, sustainable funding mechanisms and training of 4,000 more scientists and specialists. The proposal will include post-harvest research and adoption in agro-industry. It is envisaged that research centres that are active in Africa would implement a continent-wide proposal at an estimated cost of US \$ 58.2 billion over the period 2002-2015. Research and extension short-term investment requirements (2002-2005) are estimated at US \$ 10.2 billion, the medium term investment requirements (2006-2010) at US \$ 25 billion and the long-term requirements (2011-2015) at US \$ 23 billion. The source of funding is envisaged as follows: 57% by governments and 43% from ODA.

MARKET ACCESS

Introduction

Many African economies are still vulnerable because of their poor trade performance, dependence on primary production and resource – based sectors, and their narrow export bases. One of the main objectives of the New Partnership for Africa's Development (NEPAD) is to set a comprehensive strategy to overcome the problem of trade deficiencies and the decline in exports earnings. This strategy aims to adopt adequate legal and regulatory trade frameworks of the national, sub -regional, and regional levels and taking a series of procedures to increase intra-African trade and promote exports and integrate Africa's trade into the international trading system.

KEY ISSUES AND PROBLEMS

- African countries in general face a number of complicated constraints while trying to achieve a stronger trade performance, export and market diversification, among them:
 1. Deficiencies in physical, institutional, technological and infrastructures capacities.
 2. Absence of comprehensive export strategies.
 3. Lack of entrepreneurial and marketing skills.
 4. Expensive trade credit and pre-shipment finance.
 5. Inadequate legal and regulatory frameworks.
 6. Decline of international development assistance directed to the enlargement of production and promotion of exports in Africa
 7. Weakness in international demand in the past few years, large stockpiles, and slow global economic growth.
 8. Current trade policies and trade preferences adopted by developed countries which act as disincentives for Africa's trade and exports.
 9. The slow positive impact of regional trade arrangements between African countries.
 10. Excessive dependence on the production and export of a limited number of commodities, thus subjecting African economies to high volatile foreign markets.

Strategies to address the problems

The following strategies are recommended:

1. Adoption of macroeconomic policies aimed at expanding trade through liberalized exchange rate policies, price stability and promotion of investments.
2. Making sound legislation and establishing regulatory frameworks governing trade and exports promotion.
3. Applying reforms related to trade liberalisation to boost efficiency and competitiveness for domestic producers, privatisation and promoting viable and vibrant private sector.
4. Providing sound policies, incentives and an enabling environment for the private sector.
5. Promoting regional integration by removing obstacles to cross-border trade and investment.
6. Harmonising activities of relevant government agencies in Africa.
7. Industrial countries should allow African exports free access to their markets through adopting more broad – based preferences geared to the region's needs.
8. Promoting cooperation between African countries and developed countries benefiting from the current conventional frames between the two sides.

Action plan

1. Review of current investment and export codes.
2. Fostering measures to increase openness to trade (average tariff rates – eliminating hidden barriers – flexible exchange rate).
3. Undertaking activities to promote the private sector including the informal sector and the Small and Medium Enterprises (SMEs) of the manufacturing sector.
4. Establishing road and railway networks, ports facilities, water and electricity supplies, and telecommunications necessary for a strong commercial sector.
5. Harmonising taxes and investment codes on the regional level.
6. Developing an African network among trade focal points.
7. Establishing a NEPAD committee to deal with rural development and poverty eradication in rural areas.
8. Using the tri-partite cooperation as a formula for securing technical resources for implementing trade programmes.
9. Benefiting from the current conventional frames between African countries and developed countries (ACP – EU partnership agreements - AGOA) in harmonising trade rules and procedures.

10. Obtaining appropriate technical assistance promised by the developed countries to help African countries in the coming WTO negotiations and providing them with capacity building support.
11. Establishing agricultural micro financing schemes, venture capital initiatives and savings in rural areas.
12. Systematic analysis of national economic policies on the supply side as a means to harmonise policies creating the base for regional economic integration.

Identified projects (for fast tracking)

1. **African Exporters and Importers Directory**: aiming to develop a detailed African directory of importers especially from the private sector classified by country and commodity and establishing new techniques to deliver proper marketing strategies
Source of Finance: Africa's main trade partners (EU, United States and Japan)
2. **Trade Points network**: To connect trade points established on national levels and to provide information necessary to support regional and external trade policies.
Source of finance: ODA provided by donors
3. **a) Enhancing African trade capacity project**: This project is to assist African countries to participate as effectively as possible in future multilateral discussions on trade facilitation and evaluating the potential benefits of closer multilateral cooperation especially in the WTO.
Source of finance: WTO and UNCTAD through "Joint Integrated Technical Assistance Programme for Selected Least Developed and other African countries (JITAP)"
b) Capacity building: The project is to be developed with the involvement of REC's, the AU/Policy Analysis Support Unit (PASU) and African Economic Research Consortium (AERC). The African Capacity Building Foundation (ACBF), the African Development Bank (ADB) and African governments will be committing USD340 million from 2002 to 2006 to capacity building in Africa. The ACBF is ready to sign an MOU to guide its working relationship with NEPAD.
4. **Harmonisation of the African rules of origin**: This project is to harmonise rules of origin at the continent level with the goal of producing a "made in Africa" product. The project is proposed to develop regional harmonised rules of origin agreements and enhancing the understanding of African government officials of the European rules of origin.
Source of finance: EU, WTO, UNCTAD, WCO.
5. **Africa e-Commerce project**: It aims to provide detailed information on the commodities being traded through creating a web site by a chosen country.

Source of finance: From organisations implementing different e-commerce projects and programmes like WTO, EU, OECD, G8 which can also provide technical assistance.

6. **New Diversification Project**: This is a programme designed to support the diversification of products on the regional and sub-regional levels, especially agricultural products.

Source of finance: Donor community is invited to make resources available to local banks.

7. **Intra-African Policies and Standards Harmonisation Project** It is designed to ensure that African trading partners depend on a comprehensive approach to harmonise their trading policies and standards which can be accomplished by creating an export and import database to look at matching demand and supply of traded products.
8. **Rationalisation of regional and subregional Economic Communities (RECS/SECS)**: A study is needed to determine the need and best methods for rationalising RECS/SECS in Africa for best results.
9. **Effective utilisation of Market Access**: This project is to assist African countries through capacity building in relation to establishing market networks, production of goods and services at competitive prices with good quality.

EDUCATION

A Introduction

Science and technology are the prime stimulators of national development. Under-investment in the two areas has been identified as the cause for the parlous state of affairs of declining or stagnating scientific and technological growth. Because science and technology are products of education, the latter has been identified as the ultimate propeller of national and human development.

However, the overall quality of education in Africa has continued to deteriorate over the past two decades, as had been the case with respect to the overall state of African economies. The New Partnership for Africa's Development (NEPAD) has therefore made the revamping of the education sector a topmost priority goal.

B Key Issues And Problems

The following represent the major features of the educational system in Africa:

- i) About 45 million school age children in Africa, 60% of which are females, have no access to any form of education, while the lucky ones study in crowded classrooms and non-conducive learning environments;
- ii) Educational facilities are dilapidated and non-functional;
- iii) Decline in public revenue, external debt service obligations, and decline in donor support, have resulted in decline in the proportion of national budgets of African economies being devoted to education;
- iv) Graduates at all levels are unemployable because of the poor quality education they received, thereby aggravating the problem of unemployment and poverty;
- v) Africa has been persistently confronted with the problem of brain drain.

C Strategy

NEPAD suggests the following strategies for addressing the problems confronting the education sector in Africa:

- i) Evolve national policies and incentives for private sector participation in the provision and delivery of educational services;
- ii) Establish national guidelines for adequate funding and judicious utilisation of resources;
- iii) Develop a medium- and long- term framework for specified education and literacy programmes for different categories of citizens;
- iv) Ensure a realistic assessment of country potentials for and constraints militating against ability to meet international development and educational goals and targets;
- v) Ensure a framework for prioritising the allocation of educational resources to areas of greatest needs especially with respect to meeting the scientific and technological demands of the 21st century and needs of employers of graduates of educational institutions;
- vi) Emphasize functional education that promotes skill development and opportunities for innovative application of educational knowledge; and
- vii) Identify the causes and also methods for managing Africa's brain drain.

D Action Plans

A detailed Action Plan is being worked on and it will enable African countries to achieve the MDG (Millennium Development Goal) of universal primary education by 2015 and the promotion of centres of excellence.

However, the following specific programmes have been identified for special focus.

- i) Education for all (EFA);
- ii) Development and implementation of School Feeding Programmes in collaboration with the World Food Programme;
- iii) Increasing participation in secondary education. The programme will include improvement of quality and relevance of the curricula;
- iv) Improving cooperation in the production of textbooks and improvement of the content of education;
- v) Establishment of regional centres of excellence to provide essential research and high level manpower.

HEALTH

THE EXTENT OF THE HEALTH PROBLEMS FACING AFRICA

The deterioration of health in most of Africa is one of the most serious impacts of poverty, social exclusion, marginalisation and lack of sustainable development in Africa. In consequence, Africa's people continue to suffer from preventable and treatable disease, which not only causes millions of unnecessary deaths and untold suffering, but also stifles economic development and damages the continent's social fabric. Malaria alone is estimated to have slowed economic growth in Africa by 1.3% each year and HIV/AIDS by up to 2.6% in high prevalence countries. HIV/AIDS, tuberculosis and malaria respectively kill about 2, 0.6 and 1 million people each year. In addition, about 800 000 children die of diarrhea before their fifth birthday, 1.2 million of pneumonia and 500 000 of measles and about 250 000 women die in childbirth each year. Malnutrition is linked to more than half of all childhood deaths, while non-communicable diseases continue to spread. Of particular concern are tobacco-related diseases and other diseases of lifestyle, injuries, violence and mental health.

A number of targets have been set for reduction of disease, including those in the Abuja Declarations on Malaria and on HIV/AIDS, TB and Other Related Conditions and in Africa's Health for All Policy. Other targets include:

Box 1: The Millennium Development Goals and Other Targets

1. Reduce by 2005 HIV prevalence among young men and women aged 15 to 24 in the most affected countries, by 25% and by 25% globally by 2010²
2. By 2005, reduce the proportion of infants infected with HIV by 20%, and by 50% by 2010³
3. Reduce TB deaths and prevalence of the disease by 50% by 2010⁴
4. Reduce the burden of disease associated with malaria by 50% by 2010³
5. Reduce by two-thirds, between 1990 and 2015, the under-five mortality⁵
6. Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio⁴

² For more detail see: Declaration of Commitment on HIV/AIDS, "Global crisis – Global action" adopted at the Twenty-sixth Special Session of the General Assembly, 25-27 June 2001.

³ Declaration of Commitment on HIV/AIDS, "Global crisis – Global action" adopted at the Twenty-sixth Special Session of the General Assembly, 25-27 June 2001.

⁴ For more detail see: Final Communiqué of the G8 Kyushu Okinawa Summit, 21-23 July 2000.

⁵ For more detail see: "Millennium Development Goals", adopted at the United Nations Millennium Summit, 6-8 September 2000.

THE PROBLEMS TO ADDRESS

The above and similar targets are now accepted benchmarks for improvement in health that are constantly cited in plans. Yet, if current trends continue it seems that the major international initiatives against HIV/AIDS, TB, malaria and childhood and maternal death and other health problems, as was the case with their predecessors, will not achieve their targets.

The reasons for this are that:

- Poverty, marginalisation and displacement on the continent continue to undermine health
- Disease control programmes fall well short of the scale required to be effective
- Health systems tend to be too weak and under-funded to effectively support significant disease reduction
- There are no resources and capacity for development of a sustainable health system
- The people of Africa are not sufficiently empowered to take action to improve their own health
- The benefits of development and health services do not equitably reach those with the greatest burden of disease
- Funding of health services including donor support is well below the level required for the impact desired, while the cost of drugs remains high.

ACTION PLANS

The NEPAD health programme offers a comprehensive, integrated approach to addressing disease. It seeks to:

Address poverty, marginalisation and displacement

As the disease profile of Africa is first and foremost one of diseases of poverty, NEPAD health strategy recognises that reduction in poverty is a health intervention. The overall NEPAD programme is therefore supportive of health as NEPAD offers the potential for:

- Peace, to offset the catastrophic effects of war on health
- Economic development, including agriculture and land reform, which provide the basic means for sustainable incomes and food security
- Poverty alleviation, education, improving the position of women as human developments that improve health
- Improved infrastructure, such as safe water, sanitation, power, roads, transport and communications, all of which directly benefit health
- Bridging the digital divide so that the delivery of health services is facilitated by the information revolution.

Strengthen disease control programmes

Although the tools and the potential to eradicate disease are there, and even though national, African and international strategies have been strengthening over the past few years, success to date has been limited. The overall effort to reduce disease burden has simply been insufficient. The International Partnership Against Aids in Africa, Stop TB, the Roll Back Malaria Campaign, the Integrated Management of Childhood Illnesses, the Making Pregnancy Safer Programme and Programmes against Non-communicable Diseases all need increased support to scale up to the levels required to achieve the results desired.

Secure health systems

Securing the health systems of Africa is critical to combating major diseases. Treatment of a person suffering from a chronic cough, a high (malarial) fever, an opportunistic infection, shortness of breath, diabetes, obstructed labour, or mental ill health must be treated. This requires access to a health facility with a health worker capable of diagnosing their condition, and who has the essential drugs required in stock and can rapidly refer them to a well functioning first referral level hospital if necessary. The reality is that many health systems are unable to provide this basic care.

There can be no recipe given the diversity of both country and health service situations in Africa. Thus, each NEPAD partner will need to undertake a rapid country review, determine its priorities and prepare a country specific plan for securing its health system. Common elements that will need to be secured are:

- Providing accessible services by increasing the number of local clinics and providing facilities with the necessary infrastructure – energy, communication and safe water
- Staffing services with sufficient numbers of capable health workers through more effective training, better conditions of service and reduced brain drain. Adverse working conditions that chip away at the morale and distribution of health professionals need to be addressed
- Ensuring essential drugs and supplies through strengthened distribution systems and affordable prices
- Revitalizing hospitals to function effectively as sources of referral
- Achieving management capability, commensurate with running services efficiently
- Fully harnessing the potential of the private sector as appropriate to a country, in support of reduced burdens of disease
- Sufficient surveillance, monitoring and evaluation to inform interventions

Build support capacity

Ministries of health worldwide do not attempt to secure within their offices every skill necessary to ensure effective health system performance or disease control.

They rely heavily on appropriate use of experts, often based in universities, research institutes or health NGO's, to support their programmes. NEPAD health programmes must address the dearth of and lack of capacity in such centers of excellence in Africa through a programme of institutional capacity building.

NEPAD also seeks to redress the 10:90 gap in health research whereby more than 90% of the world's research goes into less than 10% percent of its health problems i.e. into those of the developed world. It supports research to learn more about health behavior and what health systems interventions are effective in Africa. The historical lack of research into vaccines and more effective drugs for major communicable diseases, because the commercial opportunity is not good enough, is not acceptable. NEPAD emphasizes development of new drugs against malaria, tuberculosis and trypanosomiasis (sleeping sickness) and vaccines against the strains of pneumococcus causing pneumonia, the rotaviruses and shigella causing diarrhea and the meningococcus causing meningitis on the continent. It also supports strengthening of disease surveillance, and monitoring and evaluation

Few hospitals, let alone clinics are connected to the benefits of the information revolution and many suffer from a lack of telephone or radio communication. NEPAD seeks to redress this digital divide.

Empower people to improve their own health

There is much that individuals and families can do to improve their own health, which in tandem with the efforts of national health systems can make a huge impact on suffering and death. NEPAD seeks to empower people to take such action to improve their own health through a programme to achieve health literacy on the continent. The learning approach will seek to enhance dignity and consciousness, as the simple transfer of knowledge is not in itself sufficient to secure health promoting and disease preventing behaviors, nor early attendance for care. The resources of the state, including public broadcasters, should be optimally used to spread health messages. Packaging learning in interesting formats, such as radio dramas and linking it to real life make the greatest impact.

Focus on the poorest and most marginalized

Health interventions that equitably focus on the needs of the poorest and most marginalized people – often living in deep rural areas and urban fringes - not only serve those with the greatest burden of disease and the least likelihood of care, they achieve the best health returns on investment. The NEPAD health programme therefore seeks to achieve equity in health services. In many countries, the cost of health care to poor families is catastrophic and NEPAD envisages changes in health financing systems to achieve greater fairness.

Displaced communities and those affected by war need to receive services, however challenging the situation. Then as soon as peace prevails, health

services need to be rapidly scaled up. This is not only because of the burden of treatable disease that is likely to have built up, but because it is an effective way of starting the reconstruction of communities and societies and building their confidence in post conflict government.

IMPLEMENTATION

The NEPAD health programme is a medium term one, as sustainable programmes take time to become secure. It will require committed and unwavering support for efforts to reduce the burden of disease and not to become fatigued along the way. Broad goals and specific objectives have been provisionally prepared for each of the action areas of NEPAD health programme outlined above. Detailed plans, including tailoring these to country and regional situations, will need to be developed. In tandem with this, the projects in the attached table could be rapidly implemented.

There is much that Africa can and will do for itself, but full success requires a partnership between NEPAD countries and the international community. Successful implementation of the NEPAD health programme will require a range of partnerships. These will be between African countries, regional and continental networks on the one hand and donor countries, regional structures e.g. the EU, United Nations bodies (including WHO, UNDP, UNAIDS, UNICEF), multilateral agencies, philanthropic organisations, community based and non-governmental organisations, universities and the private sector.

Particularly helpful actions from the international community will be to:

- Match the US\$10 billion global health fund initiative of the UN Secretary General
- Fully support international programmes for the reduction of burden of disease.
- Agree to fund core costs of services over the medium term, to ensure sustainability.
- Support efforts to offset the brain drain, including adopting ethical recruitment practices
- Support to make essential drugs and vaccines affordable, including new drugs
- To support institutional capacity building in Africa and enhanced capability to use information technology for health
- Fund research on the health problems of Africa and in building its research capacity
- Provide incentives and guarantees to stimulate effort for new drugs and vaccines

- Fund the immediate projects listed in the table, including rapid country reviews

FINANCIAL ARRANGEMENTS

The improved management and health system performance will continue to receive attention from NEPAD countries. But, however judiciously available money is spent, current funding levels are inadequate to allow for viable health systems in Africa and effective impact on disease burden. Per capita public expenditure on health services is below US\$50 in 38 of Africa's 53 countries. Massively increased funding will be required to successfully reduce the major burden of disease and unnecessary death in Africa. It is envisaged that the additional funds will come through four routes. NEPAD countries will show the way by committing more of their own resources to health, in line with commitments made in the Abuja declarations. Secondly, funds mobilised from debt cancellation will be preferentially granted to health. The third source is the larger slice of the US\$10 billion global health fund launched by the UN secretary general. Much less than US\$10 per capita per annum will, when distributed, be spread too thin to make the impact required. The global fund must bring in new money and not just be a shuffling of the pack or a drawing out of funds from other sectors needing support.

The fourth route is potentially through support for the recommendations of the Commission on Macroeconomics and Health appointed by the Director General of the World Health Organisation. They give a detailed explanation of how they estimated the costs of scaling up health services to avert 8 million deaths from major health conditions by the end of the decade. They estimate that minimum financing needs are US\$30-40 per capita per annum, compared to the current total per capita per annum expenditure of \$US13 in the least developed countries and US\$24 in other low-income countries. The Commission then estimates that developing countries could themselves increase expenditure on health by 1% of GDP by 2007 and 2% by 2015. This would leave a shortfall of \$22 billion by 2007 and \$31 billion by 2015, which the Commission calls on donor countries to fund. Also called for is an amount of \$3 billion for research and development (R&D) on diseases of the poor and \$2 billion for provision of global public goods by 2007 increasing to \$4 and \$3 billion respectively by 2015. As economies grow and health improves with implementation of the overall NEPAD programme, so will we reduce the dependence on donors to support the health systems of the developing world.

NEPAD countries recognise well that funding flows are in no small part going to be linked to their ability to effectively use and account for funds. NEPAD is therefore committed to strengthening mechanisms in its member countries for accessing, allocating, distributing and managing additional sources of funding. Ministries of Finance will pay particular attention to this and to capacity building.

Indeed, this commitment to good governance is one value added by the NEPAD health programme. Another value is that it is a composite and integrated, rather than a fragmented approach, and has a realistic chance of success. Most important it is a programme designed and driven by Africa and not imposed on it and which comes with the commitment of heads of state or government. The collective processes of NEPAD are likely to increase accountability and commitment to deliver.

THE NEPAD STRATEGY FOR HEALTH: IMMEDIATE PROJECTS

Project areas	Objectives	
<u>A strong focus on the major communicable diseases</u>	As per priorities determined for African initiatives and the major international programmes Country and region specific plans	As per the projects of international continent action
<u>Securing health systems</u>		
Initiate the process for securing health systems	Rapid country health reviews by mid 2003 "Secure health system" country plans by mid 2004 Identify and share best practices on continent	US\$ 0.5 million US\$0.5 million
Donor funding towards core service costs	Agreement for allocations towards core costs by end 2001	
Brain drain	Agreement on implementing a strategy to offset the brain drain by 2003, including ethical recruitment	US\$ 0.5 million consensus
Affordable drug prices	Affordable drugs for opportunistic infections by 2003 Commitment to affordable prices of other essential drugs by end 2003	US\$ 0.5 million negotiations
Competent drug distribution	"Pilot competent drug distribution districts" by end 2002 Review essential drug list and identify those that are unaffordable	20 pilots / pilot, in collaboration US\$ 0.5 million expert meetings
Emergency transport fund	Pilot clinics for emergency transport fund operational by mid 2003	20 pilots / pilot
Laboratory capacity	Financial support for a training center(s) for surveillance, data management and laboratory techniques by 2003 Initiate a programme by 2003 to extend the capacity of the 3 regional and 12 national laboratories for polio identification to cover broader disease surveillance Laboratory capacity for testing for drug resistance in the major communicable diseases Establish courier capability for conveyance	US\$ 2 million capacity US\$ 2 million and US\$ 1 million national laboratories recurrent US\$ 3 million US\$ 0.25 million organisational

Project areas	Objectives	
	of biological materials for laboratory investigations by end 2002	0.75m for
<u>Health policy programme</u>	A programme for advanced learning in health policy formulation and development delivered by end 2002	US\$ 0.5 m for curriculum and 5 countries participatory costs
<u>Support for sectoral development</u>		
Sufficient funding to make a difference	Global fund of US\$10 billion per annum secured by 2004	Global fund
Initial centers of excellence and networks	Initiate or strengthen an initial group of centers of excellence by end 2002 Establish networks in priority areas by end 2002	Average identified 5 yrs x 10 US\$ 0.25 million US 0.25 million per annum x
New drug and vaccine development	Programme commitments to scale for African burden new drugs and vaccines by mid 2002	As per G. initiatives US\$ 0.5 million to strengthen capability
Communications infrastructure	Effective telecommunication for 60% of clinics by end 2002 Support feasibility planning for a continent-wide communications network using dedicated satellite technology.	Exact costs determined with new US\$ 2 million
<u>Capacity in African regional structures</u>	Strengthen capacity in regional structures (e.g. ECOWAS) Strengthen capacity of WHO NEPAD country offices	US\$ 2 million 5 US\$ 1 million partner
<u>Public broadcasters for health literacy</u>	Strategy for public broadcasters to strengthen their contribution to health literacy by end 2002 3 year production schedule by each country by mid 2003 First programmes broadcast by end 2003	US\$ 2 million development broadcast briefing US\$ 1 million partner

1. Introduction

One of the main priorities of NEPAD is the promotion of regional integration in the continent because individual African economies are typically too small to generate the economies of scale that can be found in larger markets. Bridging the infrastructure gap has been identified as an important element of promoting regional integration in Africa. Infrastructure is defined in this context as energy, water, transport, and information and communications technology (ICT). The development of regional infrastructure is critical for sustaining regional economic development and trade. The potential for promoting regional integration in Africa through the sharing of the production, management and operations of infrastructure facilities and through hubs, development corridors or poles is considerable.

While the overall picture is one of lacking coverage, poor maintenance, weak financing and inefficient management, there are differences across countries. Many countries have been able to upgrade and expand their infrastructure assets and improve services through a combination of policy changes, institutional reforms and investments. Over the last decade the movement of reform to decentralize and move away from the public sector monopoly model, has gained momentum in all infrastructure sectors. As governments withdraw from direct provision of services, they face the challenge of establishing regulatory frameworks that foster fair competition, support the emergence of regional markets and ensure that the end users obtain the expected benefits.

The approach adopted by NEPAD is two-pronged: a short-term action plan has been developed based primarily on a survey of the infrastructure projects and initiatives in the countries and included in the programs put forward by the regional economic communities (RECs). For the short-term plan, the main emphasis has been on selecting projects and initiatives with a strong facilitation element. The project selection process was guided by the following criteria: projects that are at an advance stage of preparation and that can be fast-tracked;

projects that support both a regional approach to infrastructure provision and regional integration; projects that have stalled for political reasons and where NEPAD's intervention could be expected to make a difference; and initiatives that offer solutions to regional policy, regulatory or institutional constraints to infrastructure development. The Short-term Action Plan will be linked to and complemented by a Medium- and Long-term Action Programme that will take up projects and initiatives that require more time for preparation and development.

For each of the infrastructure sectors, the Plan contains a brief statement of overall objectives linking the sub-sector with the overarching goal of reducing poverty. Next the Plan reviews the problems and challenges facing the sector and outlines the response under NEPAD. The four common areas covered in the Plan are: (i) facilitation – establishment of policy, regulatory and institutional framework to create a suitable environment for investment and efficient operations; (ii) capacity building initiatives to empower particularly the implementing institutions to meet their mandates; (iii) physical or capital investment projects; and (iv) studies to prepare new priority projects.

The role of NEPAD in ensuring the successful implementation of the Short Term Action Plan comprises the following three main areas of intervention: a) Mobilising political will and actions to implement policy and institutional reforms in the sectors, including harmonising regulatory systems, and ratification of agreements; b) Facilitating the mobilization of resources for regional projects by pooling of resources of the countries concerned and by enlarging the participation of the private sector in operations as well as in financing of infrastructure; and c) Facilitating knowledge sharing, networking and dissemination of best practices among countries, RECs and technical agencies.

The objective of strengthening or developing *sector governance* arrangements that are rule-based, predictable, transparent and participatory will underpin all NEPAD infrastructure programs. A peer review mechanism will be established to monitor implementation and to identify any areas requiring specific intervention to speed up action.

The principal aim will be to create the enabling environment for enhancing competitiveness and stepping up the flow of investments.

The NEPAD program in infrastructure development is not a new invention or an additional source of funds. Instead, NEPAD brings in a new vigor to accelerate the response to familiar problems and to implement tested policies and good practices. The new sense of urgency is embodied in the Africa leadership's collective commitment and determination to urgently mobilize and harness all resources available to speed up economic growth and social development and, thus, eradicate poverty.

Due to the nature of the Short-term Action Plan, it does not contain all the projects proposed by the RECs, nor does it set out to achieve balance between regions in Africa. It is to be interpreted rather as the first stage in a rolling action plan that will be updated periodically as and when better information becomes available. The Medium- and Long-term Action Programme will be much more comprehensive.

2. ENERGY SECTOR

The challenge for NEPAD's Energy Infrastructure Initiative is to develop fully the energy resources of the continent in order to deliver affordable energy services to the various economic and social sectors. This will enhance economic and social development and improve the standard of living of the continent's population. Under the Initiative, the continent's rich energy resources will be developed through regional cooperation and contribute towards poverty reduction and economic development in line with the overarching objectives of NEPAD. Guaranteeing a sustainable supply of affordable energy is one of the best ways to address poverty, inequality, and environmental degradation everywhere on the planet. The projects identified in the Short Term Action Plan will support sustainable energy development, and serve as building blocks for the realization of medium- to long-term goals. The list of projects proposed for the short-term action plan is presented in Box 1.

The plan includes power system and gas/oil projects that are ready for implementation. In addition, studies will be undertaken for physical projects that will be implemented in the medium to long term.

The Capacity Building Project operationalises and strengthens the African Energy Commission (AFREC) to build capacity in sub -regional organizations. As regards AFREC, it is intended to transform the institution into a legal entity through the ratification of the Convention and operationalise it through the appointment of the Board and the Technical Advisory Body by providing the appropriate technical support to discharge its responsibilities. The project would also provide technical support to the sub-regional organizations to strengthen their capacity in the

formulation and implementation of regional policy, as well as strategy formulation, and preparation and implementation of regional programs. Countries will undertake the Capacity Building and Facilitation Projects with support from AFREC in collaboration with RECs.

The Facilitation Project will promote reforms and cooperation among African countries, donors and the private sector for energy infrastructure development. The preparation and implementation of an Energy Protocol will assist in attracting more, less costly investment, as it will include establishing legal, regulatory and institutional frameworks, assisting in providing the necessary enabling environment to attract investors. This will help to reduce the risks and enhance the perceptions of investors with respect to private sector investments.

A key role of NEPAD is supporting the strengthening of AFREC. Other important roles relate to facilitating cooperation and conclusion of agreements, monitoring implementation of projects. NEPAD would also assist in putting into place the necessary energy institutions, frameworks, structures, policies and strategies to further public-private partnerships for development of the energy sector.

3 WATER AND SANITATION

Sustainable use of available and finite water resources is essential for the socio-economic development of the continent and for eradicating poverty. The available resources have to be harnessed to meet the growing basic needs of water supply and sanitation for a large number of Africa's population, contribute to food security through use of water for irrigation, and also be able to tap the available renewable hydropower potential of the continent, required to drive its industries.

Some of the critical issues which need to be addressed in order to accelerate the development of Africa's water resources include: (i) the adoption of effective national and regional policies and institutional frameworks based on the principle of integrated water resources management (IWRM), (ii) the establishment of collaborative framework on agreements to facilitate the management and development of shared water resources, (iii) capacity building; and the urgent need for improved water wisdom. While absorptive capacity is a limiting factor in some areas, inadequate funding remains a major constraint for the sector development: it is estimated that US\$20 billion annually would be required to meet the continent's Millennium goals.

In response to the challenges facing Africa in the water sector, the African Water Vision for 2025 has been developed to stimulate a shift in approach toward a more equitable and sustainable use and management of Africa's water resources for poverty alleviation, socio-economic development, regional cooperation and the environment.

The proposed programmes/initiatives included in the Short Term Action Plan are fully in support of the Africa Water Vision and its Framework for Action. They address the following themes: a) enabling environment for regional co-operation; b) support for the development of national IWRM policies; c) meeting urgent water needs; d) improving water wisdom; and e) strengthening the financial base for the desired water future. A summary of the proposed projects is presented in Box 2.

Some of the proposed short-term interventions are either just entering the implementation phase or are at an advanced level of preparation.

NEPAD support will be in the form of mobilizing political commitment, bringing to bear peer review using independent organizations or annual review reports on progress made by countries or regions in achieving selected targets, and facilitating the mobilization of funding required by some of the proposed programmes.

4. TRANSPORT

The goal of the NEPAD transport program is to close Africa's gap in transport infrastructure and services, by: a) Reducing the costs and improving the quality of services; b) Increasing both public and private financial investment in transport infrastructure; c) Improving the maintenance of transport infrastructure assets; d) Removing formal and informal barriers to the movements of goods and people; and e) Supporting regional cooperation and the integration of markets for transport services.

NEPAD's role in the transport sector is to provide strategic leadership by mobilizing political support and financial resources to pursue needed reforms and to launch programs and projects in support of regional integration and overall competitiveness. NEPAD will promote innovative approaches to mobilize resources to develop infrastructure along *regional corridors* to facilitate trade and to open up previously isolated regions. NEPAD transport objectives will be pursued under programs targeting specific institutional constituencies.

The NEPAD transport program has been developed along five broad themes, namely, a) trade corridors without borders and barriers; b) better and safer roads to bring Africa together; c) competitive and seamless rail services; d) efficient ports and safe seas and ports; and e) safe, secure and efficient skies and airports.

The goal of ***trade corridors without borders and barriers*** is central to the NEPAD transport agenda as cumbersome and unpredictable clearance procedures in the ports, at border crossings, and at inland terminals, as well as unnecessary road checks, are a major source of delays and costs along trading routes particularly along the corridors serving landlocked countries. The role of NEPAD will be to accelerate the implementation, by member States, of existing agreements and protocols to eliminate non-physical barriers and help RECs to set benchmarks and seek compliance through the NEPAD peer review mechanism.

The goal of ***better and safer roads to bring Africa together*** will be pursued by accelerating the development of regional networks and by strengthening the capacity for sustainable road management. The first priority will be to support road sector development programs (RSDPs) based on the network management approach and on institutional arrangements to ensure reliable funding of maintenance and accountability to users. The medium term goal is to bring the number of countries that are implementing or preparing RSDP from 15 at present to at least 25. Increased investment in regional roads will be pursued under the framework of sub-regional programs prepared by the RECs. NEPAD will support the development of guiding principles for planning and financing the upgrading of roads along regional corridors.

The immediate major challenge for railways is to reverse the historical poor management of most national public railways. The goal of ***competitive and seamless rail services*** will be pursued through institutional reforms combined with investments. NEPAD will also support joint or coordinated concessions and

cross shareholdings across borders as well as the integration of railway services in multi-modal logistic chains.

IN ORDER TO FULFILL THEIR ROLE AS AFRICA'S GATEWAY TO REST OF THE WORLD, REGIONAL PORTS NEED TO IMPROVE THEIR PERFORMANCE AND MODERNIZE THEIR OPERATIONS. THE GOAL OF EFFICIENT PORTS WILL BE TO ALIGN THE PERFORMANCE OF ALL AFRICAN PORTS WITH THE BEST AMONG THEM SPECIFICALLY BY REDUCING CONTAINER CLEARING TIME BY HALF OR TO THE FIVE-DAY BENCHMARK BY YEAR 2006. THE COMPONENT FOR SAFE SEAS AND PORTS INCLUDES MEASURES TO PROTECT AFRICA'S SEABOARD FROM THE RISKS OF MARITIME POLLUTION AND TO ENSURE THE SAFETY OF ITS PORTS. NEPAD WILL FOSTER MULTI-COUNTRY APPROACHES TO CAPACITY BUILDING AND ENVIRONMENTAL PREPAREDNESS.

The goal of **safe, secure and efficient skies and airports** is to lower the cost of air travel and freight, to reduce the isolation of Africa in the air transport market, and to improve safety on the ground and in the air. The first objective will be to consolidate the Yamoussoukro Decision through support directed at sector reform, airline privatisation, regulatory capacity, restructuring of civil aviation services and upgrading of aviation infrastructure. The safety and security agenda will be supported through the implementation of: (i) a regional UACC (Upper Air Space Control Center) project; (ii) two regional GNSS project (Global Navigation Satellite System); (iii) measures to comply with ICAO security standards; and, (iv) joint safety oversight inspection capacity (COSCAP). At the political level the NEPAD peer review mechanism will support the implementation of the Yamoussoukro Decision. NEPAD will also help to build consensus for joint action regarding in particular modern upper air space control centers.

Political commitment at high levels will be a powerful driver for NEPAD objectives, in transport, however in order to obtain rapid progress on the ground, the delays and the problems that have plagued regional initiatives will have to be overcome. NEPAD will pursue the establishment of a **Regional Transport Reform and Integration Support Facility for Africa** (TRISFA). The proposed facility would be set up as a trust fund modelled along the lines of the Private Participation in Infrastructure Advisory Facility (PPIAF) and would be demand driven. It will offer punctual support to RECs and agencies engaged in NEPAD transport programs.

5. INFORMATION AND COMMUNICATIONS TECHNOLOGIES (ICTs)

The problem of inadequate access to affordable telephones, broadcasting services, computers and the Internet in most African countries is due to the poor state of Africa's ICT infrastructure, the weak and disparate policy and regulatory frameworks and the limited human resource capacity in these countries. Although African countries, in recent years have made some efforts to facilitate the ICT infrastructure deployment, rollout and exploitation process in a number of areas, Africa still remains the continent with the least capability in ICT and least served by telecommunication and other communications facilities.

The threat posed by the digital divide to the rapid development of African countries can on the whole be attributed to their inability to deploy, harness and exploit the developmental opportunities of ICTs to advance their socio-economic development. There is therefore an urgent need to put in place and implement ICT initiatives to bridge the digital divide at four levels namely: (i) bridging the divide between the rural and urban areas within a given country; (ii) bridging the gap between countries of a given sub-region, (iii) bridging the inter-regional gap and (iv) bridging the gap between Africa and the rest of the world.

To address these challenges, the Plan proposes three broad areas of programs for implementation under Short-term Action Plan; namely: *ICT Infrastructure Development and Roll-out Projects*; *ICT Infrastructure Development and Roll-out Facilitation Projects*; and *ICT Infrastructure Exploitation and Utilization Initiatives*. A number of projects and initiatives have been identified for implementation under each of these three broad program areas.

First, five ICT physical infrastructure development projects to speed up the process of sub-regional and regional connectivity and inter-connectivity are identified for implementation under the Plan.

Second, five sub-regional and regional initiatives directed at facilitating the ICT infrastructure development, deployment and rollout process have been identified. These include: harmonizing the regulatory framework and environment across the sub-regions; study to assess the development of equipment manufacturing capability in the continent; developing the necessary human resources; facilitating the effective participation of African countries in global ICT policy and decision making; and strengthening regional institutions mandated to support ICT infrastructure development, roll-out and deployment activities on the continent.

Finally, to facilitate the wide deployment, exploitation and utilization of ICTs within the societies and economies of Africa, six continental umbrella initiatives are identified for implementation namely: African SCAN-ICT and E-Readiness Initiative, The African Regional Telemedicine Initiative, The Electronic Governance & Government Initiative for Africa, The African Electronic Commerce and Trade Initiative, The African Regional Tele-education Initiative and The Africa Content Development Promotion Initiative.

The Plan provides details of the broad institutional arrangements required for facilitating the implementation of the projects and initiatives identified under the three broad program areas. The roles that NEPAD will play in facilitating the implementation of the projects of the short-term plan are also detailed. Specifically, NEPAD will: (i) promote the projects and initiatives both within and outside Africa; (ii) in consultation with the various sub-regional and regional stakeholders of each of the initiatives identify the effective ways and means by which to support and speed up the implementation of each of the initiatives within the time-frame of the Plan and (iii) facilitate the mobilization of the required financial resources from both domestic and external sources to speed up the process of implementation of the projects. Issues relating to the risk factors associated with each of the project areas identified for implementation are also addressed in the Plan.

6. PUBLIC PRIVATE PARTNERSHIP (PPP) IN INFRASTRUCTURE DEVELOPMENT

Public-Private Partnerships (PPPs) have emerged over the last decade as one of the best ways to foster development, fuelled by insufficient investment, growing pressures on government budgets and a general concern about service provision by state enterprises and agencies. PPPs have taken place mainly in economic (physical) infrastructure, such as power, transport, telecommunications, water and sanitation. The desire for greater efficiency and better services, as well as the limited volume of public resources available to finance such services are now increasingly leading governments to embrace public-private partnership approach. In developing countries, the total level of PPP's in infrastructure grew from US\$ 16.6 billions in 1990 to over US \$95 billion by 1998. However, in Africa,

the value of transactions and number of countries with PPP projects are still limited. Over the 1990-98 period, Africa accounted for about US\$ 14 billion of the total investment of US\$ 496 billion made in PPP projects in developing countries, as compared to US\$ 237 billion for Latin America and Caribbean region.

In order for more PPPs to emerge in Africa, countries need to improve the business environment. At present serious constraints exist in many countries. These constraints are: inadequate legal and regulatory framework for PPPs; lack of technical skills to manage PPP programmes and projects; unfavourable investor perception of country risk, Africa's limited role in global trade and investment, small market size, limited infrastructure, and limited financial markets.

NEPAD will encourage governments to undertake needed reforms to improve the business climate. This would include liberalization of investment, trade, and prices, promoting competition, creating deeper and broader financial markets, tax reforms, ensuring that commercial law protects property rights.

Furthermore, NEPAD will encourage and assist African governments to create the necessary legal and regulatory framework for PPPs by assessing existing laws affecting PPPs and drafting the Law on PPPs and regulation, drafting model PPPs contracts. NEPAD will also encourage and assist countries to establish Regulatory bodies in countries where they are absent as well as facilitating networking and sharing of experience among regulatory agencies and other similar organizations.

Where required, NEPAD will encourage and assist countries to create PPP technical units staffed with relevant and skilled personnel (legal, financial, economic, procurement and technical expertise) with capabilities to plan and execute PPP programs.

In addition, NEPAD will facilitate collaboration and exchange of experience in PPPs between technical units of countries as well as the dissemination of information on good practices.

7. PREPARATION OF THE MEDIUM - LONG TERM ACTION PLAN

A Medium-Long Term Action Plan (MLTAP) study will be undertaken to complement and supplement efforts undertaken within the Short-Term Action Plan. It would unfold over an 18-month period starting in 2003. The principal objectives of the MLTAP will be to:

- To prepare *medium to long term strategy for sectors* or sub-sector to attain specific service and coverage standards for each *sub-region*
- To develop *medium term programs* to implement the strategy with measures in the three areas of sector policies and institutional reform, investment and sector financing, capacity building.
- To prepare a *regional overview* on the basis of the sub-regional programs including support measures and initiatives to speed-up implementation and facilitate coordination among NEPAD partners.
- To prepare and address *cross cutting themes*: governance and regulation, financing and pricing, capacity building and knowledge networks.
- To establish an *Africa Infrastructure Database* and develop plan for its upkeep.

The proposed cross cutting study on financing of infrastructure under NEPAD is particularly important. This is because all sub-sectors call for an increase in commercial financing but the fact is that the mobilization of private financing has been slow and sparse. Very little has been mobilized on the domestic markets. NEPAD will pursue the development of instruments to facilitate the channeling of private financing into infrastructure programs. Specifically, the financing study will review the following issues: a) guarantee and insurance schemes; b) mobilisation of domestic resource for long-term finance; c) financing for regional multi-country projects; and d) leveraging of public funds. The study will also review the emerging African experience with regulation; specifically: a) distribution of responsibilities between regulator and sector agencies; b) statutes, tenure, financing of regulatory bodies; c) multi-sector vs. single sector regulators; and d) regional regulation in telecom, air transport, cross-border power traffic etc.

The MLTAP study would be carried out by teams of consultants under the oversight of a steering committee comprising of RECs and the NEPAD Secretariat, and a coordination unit at the AFDB. An advisory panel would provide quality assurance. The MLTAP as outlined above would require considerable expertise and travel. Its budget is estimated at about 365 staff months and a budget of approximately US\$6 million.

8. WAY FORWARD

The first step will be to establish an effective institutional framework for implementation of the NEPAD programme. The individual countries constitute the nuclei of all programmes and implementation actions. Working with civil society and private sector, they are expected to internalise the NEPAD programmes in their development strategies such as the PRSP. The RECs as building blocks of the AU, the parent body of the NEPAD initiative, form the sub-regional level planning, coordination and monitoring of the integration process. The AU is the apex body at continental level. The AU has designated special committees for NEPAD and these are the Heads of State Implementation Committee (HSIC) and the NEPAD Steering Committee (SC), to drive the process. NEPAD has also designated specialised institutions, such as the AfDB and ECA, to assist it in the development and elaboration of specific initiatives and programmes.

Next Steps: The action steps envisaged following the completion of this report are classified in the following main themes:

- a) **Processing and Securing of Endorsement of the Report and Short-term Programme:** Among the major activities to be undertaken is the consultation with RECs and other designated agencies. This consultation will provide an initial opportunity to secure buy-in of these organisations, which are critical for successful implementation of the programme. Activities under this theme will be completed by 10 July 2002.
- b) **Mobilising RECs and Implementation Agencies:** After endorsement of the programme by the AU, the RECs and other designated implementing agencies will be given implementation guidelines and instructions. Each REC will coordinate the elaboration of targets and key activities and time schedules for implementing programmes or projects it is involved with. The Secretariat, assisted by a designated specialised African Institution as the infrastructure coordinator, will synthesise the submissions of the RECs in order to harmonise them. Activities under this theme will be completed by 15 December 2002.
- c) **Mobilising Finance:** The responsibility to mobilise finance will be shared between countries, RECs and the NEPAD apex institutions. They will set in motion a fund raising machinery, which will include intermittent road shows, round tables or investment forums. This activity will be continuous.
- d) **Implementing the NEPAD Infrastructure Short-term Action Plan:** The proposed timing of implementation of the main components of the programme will thus be reviewed, according to availability of funds. Activities will continue over the whole plan period of 4-5 years.

- e) **Establishing a Peer review and monitoring system:** The first action will be to set up a sector Peer Review and Monitoring System by September 2002.
- f) **Undertaking a Long-Term Infrastructure Perspective Study:** The long-term perspective study is planned to overlap with the implementation of the short-term programme. The study process will thus also provide an opportunity to review and refine elements of the short-term plan, including the criteria for selection of projects, benchmarks and targets. It would unfold over an 18-month period starting in 2003.

RISKS:

A **POLITICAL RISK** IS THAT SOME COUNTRIES MAY NOT PURSUE OR DELAY IMPLEMENTATION OF NEPAD ENDORSED PROGRAMMES WILL BE MITIGATED THROUGH INTENSIVE ENGAGEMENT AND ACTIONS TO BE DETERMINED WITHIN THE FRAMEWORK OF PEER REVIEW. AN INSTITUTIONAL RISK THAT THE INSTITUTIONAL FRAMEWORK MAY LEAD TO ELONGATED PROCESS, OR THAT THE CAPACITY CONSTRAINTS WILL NOT BE SOLVED ALSO EXISTS. NEPAD WILL AVOID ADDITIONAL LAYERS OF BUREAUCRACY AND PROMOTE CAPACITY BUILDING INITIATIVES.

THE **FINANCIAL RISK** IS THAT THERE WILL BE DELAYS IN IMPLEMENTING PROJECTS DUE TO LACK OF OR DELAYED AVAILABILITY OF FUNDS BE WILL MITIGATED BY PROACTIVELY ADDRESSING THE CONCERNS OF POTENTIAL FINANCIERS AND INVESTORS.

ENVIRONMENT

INTRODUCTION

The state of the environment is a major determinant of the growth and development objectives of any nation and has a pervasive effect on the safety and standard of living of the populace. This is in recognition of the fact that all factors of production are “tenants” of the environment.

Hence, in its quest for promoting and sustaining the accelerated growth and development of the African continent, the leadership of the New Partnership for Africa’s Development (NEPAD) believes strongly that effectively addressing environmental issues is a necessary condition for achieving goals of sustainable growth and development and a lasting solution to the eradication of poverty.

KEY ISSUES AND PROBLEMS

In the pursuit of its noble objectives, NEPAD has identified the following as the major environmental issues that need to be addressed:

- i) In general, Africa faces the basic problem of persistent degradation of the environment and increasing loss of her natural resources
- ii) Decreasing natural habitats and fragile ecosystems are precipitating diminishing biodiversity
- iii) The exploitation of natural resources is accelerating at an unsustainable rate which is higher than the rate of replenishment and/or replacement
- iv) Land degradation, as well as natural and human-induced environmental disasters continue to pose a great problem to the continent and her citizens
- v) The severity of the environmental problem is a major contribution to the problem of poverty and dismal growth performance of Africa.
- vi) There appears to be lack of appropriate recognition by the political leadership of the importance and severity of the problem of the environment, an issue that probably accounts for the inadequate attention being paid to the subject matter

STRATEGY

To effectively address these issues and problems, NEPAD has resolved to develop and implement an Environmental Action Plan (EAP). Its overall goal is to evolve an effective framework for addressing the problems noted above and to build the capacity of Africa to adequately design, implement and monitor policies, programmes and activities relating thereon to.

The framework will be based on principles of efficiency (wise and conservative use of resources), effectiveness (ensure social responsibility, equity and a reduction of the gap between the rich and the poor) and sustainability (recognition and responsibility towards existing and future generations and all life on the continent, where humans have an impact).

Towards this end, NEPAD has proposed the following strategic actions:

- i) Capacity building in all aspects of environmental issues in Africa.
- ii) Securing the political will and commitment of African governments and the political leadership towards effective management of the environment.
- iii) Mobilising and harmonising international, regional and national resources, conventions and protocols for realistic efforts and programmes towards the purposeful management of environmental issues in Africa.
- iv) Supporting best-practice-in-action / pilot programmes and projects that can serve as beacons of sustainable development and whose success can help inspire and influence policy developments.

ACTION PLANS

Action plans are designed to support the above strategic focus areas of NEPAD's EAP. Action plans will be grouped into key areas of concern or programmes. Each programme will address the need for more detailed frameworks, policies, strategies, action plans and key pilot investments in that specific field. The programmes will cover such issues as:

- i) Land degradation, drought and desertification
- ii) Management of coastal and marine resources

- iii) Management of freshwater resources such as wetlands, ground water resources and catchment areas.
- iv) Management of biomes, habitats, species and genetic resources.
- v) Management of alien invasive species.
- vi) Management of cultural heritage
- vii) Management of non-renewable resources (substances removed from within the earth's crust).
- viii) Management of cities – the impacts of urbanisation/sustainable cities
- ix) Integrated waste management and pollution control
- x) Energy production and consumption
- xi) Impact of population dynamics on the environment –including the impact of AIDS and war.

RESOURCE FLOWS

The New Partnership For Africa's Development (NEPAD) represents the collective vision of African leaders to eradicate poverty and uplift the living standard of their peoples in the 21st century.

Broadly, the goals of NEPAD include:

- Restoration of peace and security in Africa.
- Eradication of widespread poverty, severe under-development and acute income discrepancy between the rich and the poor.
- Promotion of accelerated growth and sustainable development and
- Halting the marginalisation of Africa in the globalisation process

In this section the concern is to evaluate the resource implications of the goals of NEPAD. Put differently, what are the resources required in order to translate the vision of NEPAD into reality? And furthermore, how will the resources be mobilized?

To put the subject in proper perspective, let us briefly review the situation in Africa at the beginning of the 21st century:

- Africa was the poorest region in the world with not less than half of **its** total population living on less than \$1 per day;
- Africa also accounted for only 1 per cent of the global gross domestic product (GDP), while the income distribution was highly skewed against the poor
- Africa was the most marginalized region accounting for only 1.7% of world trade, 2% of world export, and 0.9% of global foreign direct investment (FDI)
- 1 out of 5 Africans lived under armed conflict, creating doubt about the region's future
- African economies were fragmented, structurally shallow and heavily dependent on primary sector – petroleum, mining and agriculture – with little value added and
- Africa was the most indebted and most aid dependent region, and
- Africa had the largest population infested with HIV – AIDS.

In spite of the above deplorable situation, it is not in doubt that Africa is a well-endowed region.

However, very few would deny that Africa, on its own, couldn't generate adequate resources to prosecute NEPAD and translate the noble vision into reality. Resource mobilization, therefore, becomes a key challenge under NEPAD.

Next, it is necessary to establish the benchmarks and goals for which to mobilize resources. The whole international community under the auspices of the United Nations had agreed to a set of Millennium Development Goals (MDG), covering income poverty, education, health and so on. For our purpose here, the most important MDG is to reduce the population of severely poor Africans (living below \$1 per day) by half by 2015. This, in fact, is the universally accepted goal for the year 2015.

But to achieve this goal requires a minimum growth rate of 7% GDP on a sustained basis. When compared with an average growth rate of 2.1% GDP over the decades of the 90's and a population growth rate of 2.8% per annum, which would double in 25 years, achieving this goal by the year 2015 will be a Herculean task for African leaders. In fact, under present circumstances, Africa cannot meet the MDG by 2015, unless the situation improves considerably under NEPAD.

ESTIMATING THE RESOURCE GAP

The information above provides information for reliable estimation of the resource gap implied by the focused MDG and other goals of NEPAD. In particular, the estimated gap for Africa to achieve the target 7% annual GDP growth rate is derived as follows:

Required Investment rate	=	33% of GDP
Estimated Attainable Savings rate	=	15% of GDP
Since Savings = investment, then		
Savings Gap = (33-15)	=	18% of GDP
With Estimated External flows	=	8 % of GDP
Estimated Resource Gap (18%-8%)	=	10% of GDP p.a.

This amounts to \$54 billion per annum.

That is, \$54 billion additional resources will be required each year for Africa to meet the MDG of reducing by half by year 2015 the population of Africans trapped in core poverty.

It is important to note that there are sundry estimates of the resource gap (or financing gap) in Africa. For instance, based on the International development Target for 2015, the UNECA, World Bank, African Development Indicators, 2001, estimated the resource gap in 1998 to be \$64 bn or 12% of GDP then. However, most estimates have revealed a financing gap of not less than \$50 billion per annum to meet the 2015 poverty reduction target.

CATEGORIES OF RESOURCE FLOWS

For analytical clarity, there are two broad categories of capital flows: Domestic and External. The latter is usually referred to as Capital Flows. Domestic resources will be further broken down to private savings, public finance, export earnings, financial/capital market and risk perception. Similarly, external flows will be sub-divided into foreign direct investment (FDI), portfolios (equity) flows, official development assistance (ODA), debt remission, capital repatriation and market access.

The respective desegregation of these sources is as follows.

1. Domestic Resources

- ✓ Private Savings
- ✓ Public Finance
- ✓ Export Earnings
- ✓ Financial/Capital Market
- ✓ Risk Perception

NEPAD also recognizes and lays emphasis upon the importance of Market Access as a veritable mechanism for enhancing export earnings. However, this item is not being addressed here. Rather, it is being covered under the focus area titled Agriculture, Market Access and Diversification.

2. External Flows

- ✓ Foreign Direct Investment (FDI)
- ✓ Portfolio (Equity) Flows
- ✓ Official Development Assistance (ODA)
- ✓ Debt Remission
- ✓ Capital Repatriation

Both categories will be examined with a view to maximizing resource flows for the prosecution of NEPAD programmes.

NEPAD must resolve the problem that while the world is awash with financial resources and liquidity, Africa is a resource poor region. The last two decades have witnessed unprecedented expansion in global prosperity. In particular, the post – cold war decade of the 90's saw an exponential growth in cross-border movement of private capital, mergers and acquisitions.

Africa missed out in all of this! And contrary to the observed global trend, the region regressed in the 90's with an average GDP growth rate of 2.1%. An estimated population growth of 2.8%, which would double in 25 years to further compounds the situation, unless there is a significant change for the better on the continent soon. All of the above make resource mobilisation crucial for the successful implementation of NEPAD programmes.

More often than not, public debate on resource flows in Africa has focused mainly on external resources, especially on foreign aid (ODA) and debt remission. These are official categories of capital flows, often creating the impression of putting pressure on governments of rich countries, to the relative neglect of immense opportunities in the private sector abroad and at home. In recent times, the debate has been extended to the need for market access and foreign direct investment (FDI).

It, therefore, behoves African leaders under the new dispensation to expand their own horizon, as well as the scope of their quest for resources to prosecute NEPAD. First, in conformity with the principle of ownership on which NEPAD was premised, the determined search for adequate resources will begin at home. The responsibility that goes with ownership compels African governments and leaders to look inward first.

In addition, African leaders must cast their net wider than before to find ways and means to unleash the enormous resource potential in private sector at home and abroad. A close examination would reveal that forgiving all of Africa's debt and doubling the present level of ODA (which are not realistic assumptions) would not be sufficient to provide resources to meet the MDG by 2015. There is, therefore, an urgent need to be much more innovative in this area than before.

The issues and modalities for mobilising the afore-mentioned sources of resources are elaborated upon in the accompanying documents, which focussed on procedures for mobilising additional resources. However, the following issues, among others, need to be kept in view in appraising the suggested procedures

- (i) Resource mobilisation is a means to an end, the latter being the target goals and objective of NEPAD. It is however recognised that many variables intervene in the link between means and outcomes. Specifically, in this case, we believe that eventually outcomes will depend to a large extent upon the convergence of sustained, successful implementation of good political, economic and corporate governance programme of NEPAD;

- (ii) That the governments of participating countries will take due cognisance of the analytical and policy underpinnings of savings behaviour, and provide adequate incentives for achieving desired savings response from both public and private economic agents;

- (iii) Nearly all-African countries have large informal sectors whose activities and assets remain largely unrecorded, and their savings potential remains guesswork. Hence, African governments must initiate effective policies towards the promotion of financial intermediation activities in the rural areas as a means of enhancing the monetisation of African economies.

- (iv) Finally, it has often been stated that NEPAD does not intend to re-invent the wheel. Rather, it takes recognition of existing programmes, processes and structures, which it hopes to build upon as deemed necessary. For example, with respect to debt relief, NEPAD is fully cognisant of the HIPC initiative. NEPAD however believes that this can be improved upon with a view to enhancing more resource flows for meeting specific anti-poverty targets and programmes. It believes in and will continue to push for debt cancellation or forgiveness.

Appendix 1

Market Access

AFRICAN ECONOMIC INTEGRATION: SUMMARY AND RECOMMENDATIONS

1. Overview

This section considers mechanisms through which the economic integration of the African continent can be promoted, particularly through trade. This is necessary in the context of a new generation of preferential trade schemes offered by major external actors, which, while offering preferential access to their markets, are driven by their interests and, hence, threaten to undermine African attempts at intra-continental integration.

2. Supply-side constraints

- a. The existence of deep-seated supply-side constraints has persistently prevented the integration of African economies through the expansion of intra-continental trade.
- b. Moreover, it is well known that successful regional trade arrangements (RTAs) can enhance broader integration initiatives. Arguably, the failure of many RTAs on the continent is the result of a weakened supply response of firms to take advantage of trade preferences offered by these arrangements.

Recommendations:

- i. It is imperative that a systematic analysis of African economies be undertaken in order to identify supply-side constraints where they exist and develop appropriate measures to address them, particularly in the areas of transport and financial services, human capital, the small and medium enterprise environment, and institutions of economic governance ("conflict management").
- ii. Appropriate timeframes must be agreed upon for the completion of the analysis.

3. Regional Integration

- a. Notwithstanding the severity of supply-side constraints in African economies, regional integration initiatives have failed to realise their potential to increase intra-regional trade and, hence, intra-continental trade.
- b. Reliance on a few low value-added economic activities, a narrow industrial export base, and a persistent mismatch between the exports of member countries and their import needs are some of the interrelated reasons for the failure of regional integration initiatives to broaden and deepen intra-regional trade.

Recommendations:

- i. Stronger, more diversified economies to offer some form of asymmetric, preferential market access, similar to GSPs and WTO compliant, to less developed, weaker economies in the region, especially least developed countries (LDCs).
- ii. The encouragement by the government of stronger economies in the region, particularly in the identification of potential across-the-border projects with LDCs.
- iii. The harmonisation of intra-regional institutions and regulations.
- iv. The joint development of regional industrial strategies as part of regional trade arrangements, taking into account countries at different stages of economic development. To this point, integrated production platforms need to be explored to capitalise on the economies of scale that this will create, and therefore advance African competitiveness.

Problem:

- a. An increasingly problematic aspect with the potential to severely undermine regional integration initiatives is the matter of dual membership, particularly as existing regional arrangements decide to intensify their level of integration.
- b. Recommendation:

A decision must be taken at the national level with respect to dual membership. Countries who are members of two regional trade arrangements must choose, as a matter of urgency, to which regional arrangement they would prefer to belong.

4. Developmental partners

- a. It is essential that African countries redefine their relationships with development partners.
- b. This includes an approach that is non-confrontational and interest-balanced in the identification and implementation of viable and sustainable projects.

Recommendation:

- i. As a first step towards the identification of viable and sustainable projects, it is recommended that a database be created of African companies with competitiveness in various sectors; that the database itself is geographically representative; and that ownership of the database resides with the NEPAD Secretariat.
- ii. NEPAD will engage donor countries and agencies to develop a co-operation framework in Africa, so that African countries will not have to compete with donor countries for projects in Africa, but will instead work with them in a mutually beneficial way.

5. Multilateral Engagement

- a. The new round of WTO negotiations agreed to during the fourth ministerial conference in Doha in November 2001 presents African countries with a bewildering array of challenges and opportunities.
- b. It is imperative that African countries actively participate in the new round of WTO negotiations in order to maximise their potential gains from liberalisation; prevent the agenda from being subverted to serve the hegemonic interests of the North; and signal to investors their commitment to reform by “locking-in” changes in the trade regime at the multilateral level.

RECOMMENDATIONS

- i. NEPAD will develop capacity building programmes with multilateral institutions such as the WTO, UNIDO, African Capacity Building Foundation, UNCTAD, etc. to support participation in the new round of multilateral negotiations, including human resource development of (offensive and defensive) negotiating positions.
- ii. Ideally, this should take the form of one, all-inclusive programme, funded and supported by all the agencies and stakeholders.

CONCLUSIONS

While working together to overcome supply-side problems and to increase intra-Africa trade, Africa demands as a matter of utmost priority from the OECD countries, a programme for the elimination of tariff and non-tariff barriers that make access into their markets for African products impossible.

APPENDIX 2

Table 1

Summary of Energy Sector Projects and Initiatives for the Short-Term Action Plan
<i>Power Systems Projects</i>
Mepanda Uncua Hydropower Ethiopia-Sudan Interconnection West Africa Power Pool (WAPP) Program Algeria-Morocco-Spain Interconnection (Strengthening) Algeria-Spain Interconnection & Algeria Gas-fired Power Station Mozambique-Malawi Interconnection
<u>GAS/OIL TRANSMISSION PROJECTS</u>
Kenya-Uganda Oil Pipeline West Africa Gas Pipeline (WAGP) Libya-Tunisia-Gas Pipeline
<u>STUDIES</u>
Grand Inga Integrator DRC-Angola-Namibia Interconnection Nigeria-Algeria Gas Pipeline Sub-Regional Interconnections (East, West, Central) Capacity Building (Regional) AFREC Operationalisation & REC Capacity Building Africa Energy Information System & Planning Tools Training of Energy Experts
Facilitation (Regional) Policies and Strategies Energy Protocol Cooperation in new and renewable energy Cooperation in improving energy efficiency & reliability of supply Cooperation in Oil and Gas trade, refining/processing Cooperation in rural energy

Table 2

Summary of Projects for Short Term Action Plan – Water and Sanitation Sector	
	<i>Region</i>
A: Enabling Environment for Regional Cooperation: Water Resource Planning and Management – Nile Basin Support of New and Existing River Basin Organizations Action Plan for the Integrated Water Resources in West Africa Water Resources Management in Central Africa	East Africa Several regions West Africa Central Region
B: Support to Development of National Integrated Water Resources Management Policies: Support for the Development and Implementation of National Water Sector Policies and Strategies - SADC	Southern Africa
C: Meeting Urgent Basic Services: Rural Drinking Water Supply and Sanitation in the Niger Basin Combating Drought and Desertification in the Maghreb	West Africa North Africa
D: Improving Water	

Wisdom: Water Resources Assessment in SADC Implementation of IGAD HYCOS Strengthening of the ABN Interstate Forecast Center (CIP)	Southern Africa East Africa West Africa
E: Strengthening the Financial Bas for the Desired Water Future: Study to Improve Financing Mechanism for Development of the Water Sector	All regions

Table 3

Nacala Port: rehabilitation in support of concessioning	Mozambique- Malawi: SADC
Lobito Port: rehabilitation, transshipment facilities	Angola
Abidjan Port: container terminal, dredging of Vridi Canal. Dakar Port: rehabilitation and construction of container terminal	Cote d'Ivoire Senegal, UEMOA, ECOWAS
Djibouti Port: container handling facilities	Djibouti, Ethiopia, IGAD
<i>Studies</i>	
Mayumba Port pre-feasibility study	Gabon, ECCAS

Summary of Short-term Program for Better and Safer Roads to bring together Africa
Institutional, policy advice, road safety.
Studies (estimated on the basis of regional programs)
Regional roads upgrading and construction (Based on projects included in REC's programs, which meet the criteria mentioned above and for which studies are available at least to feasibility level).

Table 4

Summary of Short-Term projects for Ports	
	Regions/ Countries
Physical	
Mombasa Port: expansion of the capacity of the container terminal and berth conversion.	Kenya, EAC

Table 5

Short-Term Projects/Programs for Railways	
<i>Title</i>	<i>Country Sub- region</i>
<i>Institutional</i>	
Support for concessioning of railways: Technical assistance for strategy formulation; regulatory capacity building; and provision of transaction advisors.	Kenya, Uganda , Tanzani a Zambia Swazila nd
Physical	

Table 6

		Summary of Short-Term Program for Safe Skies - Air Transport	
		Title	Location
Rehabilitation of Railways in support of concessioning Uganda Railways Malaba – Kampala railway (part of 250 kms), including bridges Port Bell and Jinja wagon ferry terminals rehab. Improving Port Bell – Kampala rail section Kenya Railways Nakuru – Kisumu rail section rehabilitation (part of 250 kms), including bridges Tanzania Railways Track rehabilitation, upgrading signals telecoms for Dodoma – Tabora – Mwanza section Nacala Corridor Railway Rehabilitation of 77 Kms (Cuamba – Entre Lagos). Studies	East	Institutional and physical	
	East	Support for implementation of the Yamoussoukro Decision (liberalisation) and aviation restructuring: Regional coordination and exchange of information and best practices	All regions All countries
	East	Regulatory capacity building	Two non category-1 major airports per sub-region (total 10)
	Southern	Upgrading airport security	
		Upgrading airport infrastructure and related facilities to category 1 standard,	
	West and Central	Establishment of Upper Airspace Control Centre (UACC)	SADC & EAC
	Central Region	GNSS project - Implementation of test bed - Installation of ground infrastructure	Africa & Indian Ocean region
	North Region	Establishment of joint safety oversight units (COSCAP)	West, Southern & East sub - regions Central, North-East, North
	Angola, D.R.C		
	Studies		
Establishment of Upper Airspace Control Centres (UACC) -		Study to cover other sub-regions (West, Central, North-East, North)	

Aviation infrastructure needs assessment study	Angola and D.R. Congo
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Development Initiative for Africa	nent	Africa Reg
The SADC Regional Infrastructure Initiative (SRII)	South ern	SADC
The RASCOM Project	Whole Conti nent	RASC OM
SAT-3/WASC/SAFE - Utilisation to Improve Interconnectivity	South , Centr al, West, East	SAT3/ WAS C/SA FE

Table 7

Summary of Short-Term Plan: ICT Infrastructure Deployment Facilitation Projects		
Project	Regio n(s)	Spons ors
Telecommunications Equipment Manufacturing in Africa Study	Whole Conti nent	ITU- Africa Regio n
ICT Policy and Regulatory Framework Harmonization at Regional Level	Whole Conti nent	ATU, RECs
Strengthening of African Telecommunications and ICT Institutions	Whole Conti nent	Identif ied Institu tions
Programme to Enhance Africa's Participation in the Global ICT Policy and Decision Making Fora	Whole Conti nent	ATU, RECs , NTOs
The ICT Human Resource Capacity	Whole Conti	ATU/I TU-