African leaders tackle NEPAD's stiff challenges

More than a year after the creation of the New Partnership for Africa's Development (NEPAD), ministers, governors, and other senior officials from some 20 African countries met in Dakar, Senegal, in mid-December to discuss the challenges confronting the initiative. Participants at the high-level seminar, hosted by the IMF Institute and the Joint Africa Institute, included donor representatives, academics, and staff of regional and international institutions.

Despite progress by an increasing number of countries, Africa's overall economic performance has continued to lag behind that of other developing country regions. Over the past two decades, as noted by Saleh Nsouli, Deputy Director, and Norbert Funke, Senior Economist, IMF Institute, the gap between sub-Saharan Africa's per capita income and that of other regions has widened; its share of world trade has declined; and its share of global foreign direct investment has fallen.

Securing a positive turnaround in Africa's socioeconomic indicators calls for the effective implementation of wide-ranging economic and financial reforms at the country and regional levels. This is the overriding goal of NEPAD, a framework for Africa's renewal, conceived and developed by African leaders and adopted in 2001 by member states of the African Union. Its specific objectives are to promote accelerated growth and sustainable development, eradicate widespread and severe poverty, and halt the marginalization of Africa in the globalization process.

Turning words into action

As President Abdoulaye Wade of Senegal stressed when he opened the seminar, the time has come to finance NEPAD and implement its objectives. Successful implementation will require that participating countries establish appropriate institutional frameworks, generate a strong consensus for reform from the wider public, and attract adequate international support, said Omar Kabbaj, President, African Development Bank. To meet NEPAD's ambitious objectives—including a targeted rate of economic growth of about 7 percent over the next decade—African countries will also need to make an unprecedented effort to consolidate macroeconomic stability and pursue broad-based structural reforms, including a strengthening of institutional capacity, Nsouli noted. Charles Konan Banny, Governor, Central Bank of West African States, also pointed out that regional institutions would have a key role to play in implementing the partnership.

Gathering for the high-level seminar in Dakar are (left to right): Abdou Aziz Sow (Minister for the NEPAD, Senegal); Saleh Nsouli (IMF Institute); Omar Kabbaj (President, African Development Bank); President Abdoulaye Wade of Senegal; Ismaila Usman and Damian Ondo Mañe (IMF Executive Directors); Koffi Yao (IMF); Abdoulaye Diop (Minister of Finance, Senegal); Seyni N'Diaye (National Director, BCEAO, Senegal); and Samba Thiam (Economic Advisor to the President of Mauritania).

Reducing poverty

At the heart of much of NEPAD's agenda is the quest to reduce poverty. This multifaceted problem has long resisted easy and quick solutions. T.N. Srinivasan, Yale University, emphasized that redistributing assets and/or income from the rich to the poor—even if beneficial in the short and long runs—can be politically difficult. It is often more feasible to identify and implement policies that have a major influence on the socioeconomic-political framework in which the poor make their own decisions. Some participants felt that existing poverty reduction strategies and national development plans already act as important vehicles for identifying these policies and for translating the NEPAD framework into an operational blueprint.

Promoting trade and capital inflows

African economies must position themselves to compete in world markets, and trade holds one of the keys. By opening up their economies more rapidly, African countries can derive increased economic benefits, said Felix Ndukwe, Chief Macroeconomist, African Development Bank. Many African countries have already made substantial progress in trade liberalization, observed Alexandre Barro Chambrier, Executive Director, International Institute for Africa; now it is time for the industrial countries to open their markets further to developing country exports. Kwasi Asamoah-Baffour, Special Advisor, Ghana, urged African countries to identify measures to increase intraregional trade, and Modise D. Modise, of Botswana's President's Office, indicated that African economic integration would require an alignment of countries' objectives and efforts with those of NEPAD's.

If Africa is to achieve the UN's Millennium Development Goals, however, it will need to fill an annual resource gap of $64 billion—equivalent to

President Abdoulaye Wade of Senegal opened the high-level seminar.

some 12 percent of Africa's GDP. Although this will require increased domestic savings, a substantial part of the needed resources will have to come from abroad. Elizabeth Asiedu, University of Kansas, pointed out that foreign direct investment can play a potentially pivotal role, but Africa must substantially improve its investment climate. Although, as Koffi Yao, IMF Resident Representative in Senegal, and Jackson Kinyanjui, Ministry of Finance, Kenya, noted, even countries with sound economic policies can be negatively affected by political or economic instability in neighboring states.

Building an institutional framework

To overcome existing obstacles to growth and sustainable development, African countries must foster an enabling environment for private initiative, including maintaining peace, security, and respect for property rights. In his paper, Soumana Sako, Executive Secretary, African Capacity Building Foundation, praised NEPAD for emphasizing the importance of good governance and a sound institutional framework for reducing poverty, enhancing growth, and attracting more foreign investment. Saade Chami, IMF, and Jean-Claude Brou, Director, Central Bank of West African States, argued that a well-functioning market economy had to be supported by various types of institutions, such as regulatory and social insurance bodies. Most important, African leaders need to ensure the rule of law, which, according to Michael Sarris, Director, World Bank Institute, requires an independent, impartial judiciary.

Partners doing their share

Africa's partners in the international community must also hold up their end of the bargain. Abdoulaye Bio-Tchané, Director of the IMF's African Department, explained that his organization helped countries formulate domestic economic policies, foster regional integration, and build capacity. The IMF is putting in place five African Regional Technical Assistance

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Centers (AFRITACs) and is continuing to enhance the training activities of the IMF Institute. Broad international support will also be needed for capacity and institution building.

Participants stressed, however, how critical it was for Africa's partners to take action to remove barriers to trade, expand and speed up debt relief, and raise official development assistance to the UN target level of 0.7 percent of GNP and reform the modalities of such assistance.

Identifying the next steps

If NEPAD is to succeed, African countries must ensure good governance, too. In this regard, the African Peer Review Mechanism, a voluntary monitoring instrument of the African Union, could serve as an important vehicle and enhance credibility. Jean-Eric Aubert, Senior Policy Advisor, World Bank Institute, emphasized that peer learning could substantially improve governance, but participants noted that it would be vital for these peer reviews to meet consistently high standards and be free of political interference. Countries must also be willing to take the corrective measures recommended by the reviews.

One of the preconditions for NEPAD's success, according to IMF Executive Directors Damian Ondo Mañe and Ismaila Usman, will be its ability to establish and maintain a sound institutional framework. Together with Seyni N'Diaye, National Director, Central Bank of West African States, they urged enhancing capacity building in NEPAD's priority sectors and saw the peer review mechanism as the first test of Africa's ability to improve its institutional framework. As Guy Darlan, Regional Coordinator,

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World Bank Institute, noted, the crucial question is whether the review mechanism itself will become a well-functioning and credible institution.

In the area of regional integration, Sherifa Kamal Rahmy, Central Bank of Egypt, emphasized that the highest priority should be given to improving infrastructure to catalyze further integration. Isaac Aluko-Olokun, a member of the NEPAD Steering Committee, also underscored how important it would be to better communicate NEPAD's goals and implementation plan to garner much wider and stronger support from the general public.

Now is the time, Evangelos Calamitsis, former Director of the IMF's African Department, concluded, for African countries and institutions to redouble their efforts, notably in the critically important areas of establishing an enduring foundation for peace, security, democracy, good governance, and the rule of law. ■

Norbert Funke
Senior Economist, IMF Institute

Members drawing on the IMF "purchase" other members' currencies or SDRs with an equivalent amount of their own currency.

Stand-By, EFF, and PRGF arrangements as of December 31, 2002

Member	Date of arrangement	Expiration date	Amount approved	Undrawn balance
			(million SDRs)	
Stand-By				
Argentina[1]	March 10, 2000	March 9, 2003	16,936.80	7,180.49
Bosnia & Herzegovina	August 2, 2002	November 1, 2003	67.60	36.00
Brazil[1]	September 6, 2002	December 31, 2003	22,821.12	18,256.90
Bulgaria	February 27, 2002	February 26, 2004	240.00	156.00
Dominica	August 28, 2002	August 27, 2003	3.28	1.23
Guatemala	April 1, 2002	March 31, 2003	84.00	84.00
Jordan	July 3, 2002	July 2, 2004	85.28	74.62
Lithuania	August 30, 2001	March 29, 2003	86.52	86.52
Peru	February 1, 2002	February 29, 2004	255.00	255.00
Romania	October 31, 2001	April 29, 2003	300.00	165.33
Turkey	February 4, 2002	December 31, 2004	12,821.20	2,892.00
Uruguay[1]	April 1, 2002	March 31, 2004	2,128.30	1,016.60
Total			**55,829.10**	**30,204.69**
EFF				
Indonesia	February 4, 2000	December 31, 2003	3,638.00	1,376.24
Serbia/Montenegro	May 14, 2002	May 13, 2005	650.00	550.00
Total			**4,288.00**	**1,926.24**
PRGF				
Albania	June 21, 2002	June 20, 2005	28.00	24.00
Armenia	May 23, 2001	May 22, 2004	69.00	39.00
Azerbaijan	July 6, 2001	July 5, 2004	80.45	64.35
Benin	July 17, 2000	March 31, 2004	27.00	8.08
Cambodia	October 22, 1999	February 28, 2003	58.50	8.36
Cameroon	December 21, 2000	December 20, 2003	111.42	47.74
Cape Verde	April 10, 2002	April 9, 2005	8.64	6.18
Chad	January 7, 2000	December 6, 2003	47.60	10.40
Congo, Dem. Rep. of	June 12, 2002	June 11, 2005	580.00	160.00
Côte d'Ivoire	March 29, 2002	March 28, 2005	292.68	234.14
Djibouti	October 18, 1999	January 17, 2003	19.08	5.45
Ethiopia	March 22, 2001	March 21, 2004	100.28	31.29
Gambia, The	July 18, 2002	July 17, 2005	20.22	17.33
Georgia	January 12, 2001	January 11, 2004	108.00	58.50
Guinea	May 2, 2001	May 1, 2004	64.26	38.56
Guinea-Bissau	December 15, 2000	December 14, 2003	14.20	9.12
Guyana	September 20, 2002	September 19, 2005	54.55	49.00
Kenya	August 4, 2000	August 3, 2003	190.00	156.40
Kyrgyz Rep.	December 6, 2001	December 5, 2004	73.40	49.96
Lao People's Dem. Rep.	April 25, 2001	April 24, 2004	31.70	18.11
Lesotho	March 9, 2001	March 8, 2004	24.50	10.50
Madagascar	March 1, 2001	November 30, 2004	79.43	45.39
Malawi	December 21, 2000	December 20, 2003	45.11	38.67
Mali	August 6, 1999	August 5, 2003	51.32	12.90
Moldova	December 21, 2000	December 20, 2003	110.88	83.16
Mongolia	September 28, 2001	September 27, 2004	28.49	24.42
Mozambique	June 28, 1999	June 27, 2003	87.20	16.80
Nicaragua	December 13, 2002	December 12, 2005	97.50	90.54
Niger	December 22, 2000	December 21, 2003	59.20	25.36
Pakistan	December 6, 2001	December 5, 2004	1,033.70	689.12
Rwanda	August 12, 2002	August 11, 2005	4.00	3.43
São Tomé and Príncipe	April 28, 2000	April 27, 2003	6.66	4.76
Sierra Leone	September 26, 2001	September 25, 2004	130.84	56.00
Tajikistan	December 11, 2002	December 10, 2005	65.00	57.00
Tanzania	April 4, 2000	June 30, 2003	135.00	15.00
Uganda	September 13, 2002	September 12, 2005	13.50	12.00
Vietnam	April 13, 2001	April 12, 2004	290.00	165.80
Zambia	March 25, 1999	March 28, 2003	278.90	41.38
Total			**4,520.21**	**2,428.18**

[1]Includes amounts under Supplemental Reserve Facility.

EFF = Extended Fund Facility
PRGF = Poverty Reduction and Growth Facility
Figures may not add to totals owing to rounding.

Data: IMF Treasurer's Department