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New Partnership for Africa's Development(NEPAD)

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Summary

The New Partnership for Africa's Development (NEPAD), described by its proponents as a multi-sector, sustainable development policy framework, seeks to reduce poverty, increase economic growth, and improve socio-economic development prospects across Africa. Major NEPAD aims are to attract greater investment and development aid to Africa, reduce the continent's debt levels, and broaden global market access for African exports. NEPAD emphasizes increased democratization, political accountability, and transparency in governance in African states as primary means of achieving its goals. NEPAD is a key policy vehicle of the African Union (AU), which succeeded the Organization of African Unity (OAU) in July 2002; see CRS Report RS21332, *The African Union*. H.Res. 155, introduced in March 2003, urges U.S. and international support for NEPAD. This report will be updated as events warrant.

Background: Objectives, Structure, and Financing

The New Partnership for Africa's Development (NEPAD), described as a multi-sector sustainable development policy framework, was collectively formulated and promoted by leading African heads of state. It was endorsed and adopted in mid-2001 by the Organization of African Unity (OAU), founded in 1963 during the decolonization era, and later also endorsed by the African Union, which in July 2002 superseded the OAU.[1] NEPAD seeks to reduce poverty and increase economic growth across Africa, in part by improving the policy-making and implementation capacities of African states. It has won the support of many African leaders and regional inter-governmental organizations, and has been generally well-received by leaders of international multilateral organizations and the Group of Eight (G-8). NEPAD is based on a policy blueprint, the New African Initiative (NAI), which merged several earlier continental economic development plans.

[1] CRS Report RS21332, *The African Union*; and CRS Report RS20945, *The Organization of African Unity*.

Objectives. NEPAD seeks to spur economic growth and improve socio-economic development across Africa by increasing capital flows to Africa in the form of private sector investment, development assistance, debt relief, and broadened market access for African exports. A key NEPAD aim is improving the institutional, regulatory, and planning capabilities of African states to allow them to achieve gains both as individual entities and as economically integrated sub-regional groupings. NEPAD seeks to increase democratic decision making, transparency, and accountability in governance; improve economic policy-making and public sector management; and increase investments in infrastructure. Other goals include expanding access to social services and education; eradicating poverty; and promoting peace, security, and human rights. Sectoral investment targets include agriculture, energy, environment, physical and communications infrastructure, and institutional efforts to increase economic diversification and trade.

Economic Integration. NEPAD endeavors both to strengthen linkages among African countries, and to deepen and accelerate Africa's economic and political integration with other world regions. A key aim is to ensure that Africa surmounts what one NEPAD text asserts is the significant degree of Africa's marginalization in the face of increasingly interconnected global trade and markets. At the same time, NEPAD seeks to buffer Africa from the perceived negative effects of "globalization" on public health, local industries, the environment, and public safety.

Some NEPAD critics assert that increased African economic integration with global markets may yield significant unanticipated problems, such as increased external pressure to adhere to trade rules and regulatory frameworks defined by market forces and policy makers outside of Africa. Some critics fear that rates of natural resource extraction in Africa, possibly accompanied by increased rates of environmental degradation, may grow. They also argue that as greater integration takes place, Africa's relative lack of industrial capacity will prevent it from taking advantage of potential earnings opportunities generated by value-added secondary processing of export commodities, which typically takes place in importing countries. Critics also maintain that weak prices for many key African exports may make it vulnerable to exploitation by powerful global economic actors, while global labor markets may drain Africa of much of its educated work force.

Governance and Reform. NEPAD aims at promoting good governance, democratization, and public sector reforms as primary means of attracting greater foreign investment, political support, and aid flows to Africa. The main NEPAD document posits these ends as necessary pre-requisites for socio-economic policy success, long-term political stability, and social justice. It calls for market-oriented economic and governance reforms that substantially mirror those advocated by multi-lateral lenders and western donor governments. NEPAD requires, however, that these policies be implemented and monitored by African states themselves — not by foreign actors. A new NEPAD institution, the African Peer Review Mechanism (APRM, discussed below), has been described as a primary means of implementing NEPAD's governance goals.

Organizational Structure and Linkages. NEPAD, a term used interchangeably to refer both to the key NEPAD policy document and to the governments and organizations that support it, is a major policy vehicle for African Union (AU). The AU assumed the OAU's organizational apparatus and affirmed many of its decisions, including OAU's adoption of NEPAD as a key policy framework. The annual AU summit of heads of state is the supreme NEPAD decision-making body. Subsidiary to it is the

NEPAD Implementation Committee, which must annually report to the AU summit. The AU Chairman and Secretary-General are ex-officio members of the Implementation Committee, and the AU Secretariat will participate in its meetings. The final OAU heads of state summit enlarged the Implementation Committee in July 2002 from fifteen to twenty members by adding to it an additional representative from each of five AU sub-regions. Subsidiary to the Implementation Committee is the NEPAD Steering Committee. It coordinates NEPAD's relations with multilateral lenders, bilateral donors, and with international and regional multilateral bodies. The Steering Committee is supported by a NEPAD Secretariat that supervises NEPAD marketing, communication, finance and administrative functions and oversees NEPAD program initiatives on socio-economic development, market access, infrastructure development, and governance.

NEPAD includes a private component, the NEPAD Business Group, which is made up of twelve business councils, chambers of commerce, and related organizations. The group will disseminate information and coordinate relations between NEPAD and private firms that support its aims, with a particular focus on trade and investment opportunities in Africa. The U.S. Corporate Council on Africa (CCA), a coalition of over 170 U.S. companies with Africa-related business interests and a NEPAD Business Group member, plans to act "as a major source of support in the United States" for NEPAD.[2]

Financing. NEPAD is primarily a framework for coordinating policy-making by sub-regional economic development bodies and specialized functional agencies, particularly as regards cross-border initiatives. Few references to specific amounts required for the financing of NEPAD goals or sector-focused projects appear within NEPAD texts. The primary NEPAD policy document, however, anticipates that to achieve "the goal of reducing by half the proportion of Africans living in poverty by the year 2015, Africa needs to fill an annual resource gap of 12% of its GDP, or $64 billion." It also calls for an annual $10 billion increase in funding for public health.[3] Meeting such goals, it asserts, "will require increased domestic savings [and] improvements in the public revenue collection systems." It also states that "the bulk of the needed resources will have to be obtained from outside the continent... [in the form of] debt reduction and overseas development assistance (ODA) as complementary external resources required in the short to medium term." Private capital flows are described by the document as a longer-term concern. Some analysts have criticized the lack of specific cost projections and the general nature of many statements in the document, asserting that it contains few measurable, explicit benchmarks by which to judge the success of its implementation.

Current Issues

Defining the Goals of NEPAD. The NEPAD Implementation Committee was enlarged in July 2002, in part to broaden and diversify the base of support for NEPAD, and to accommodate leaders who had not played key roles in its formation. A key figure in this regard was Libyan leader Muammar al-Qadhafi. He has long advocated greater African integration, but has also emphasized a need for broad African political autonomy.

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[2] Stephen Hayes, Corporate Council on Africa,"Remarks," *Conference on the Financing of the New Partnership for Africa's Development (NEPAD)*, April 15, 2002, Dakar, Senegal. On the G-8 *Africa Action Plan*, see below. For information on the CCA, see [http://www.africacncl.org].

[3] *The New Partnership for Africa's Development (NEPAD)*, October 2001, pp. 36, passim.

He has rejected donor-imposed conditions on development assistance and has opposed close political ties between Africa and the industrialized world. Al-Qadhafi largely initiated the OAU reform process that led to the AU's formation, but he criticized the heavily NEPAD-oriented policy agenda that the AU adopted, calling NEPAD a project of the "former colonisers and racists."[4] Several other African leaders have echoed these sentiments. Efforts to bridge the differences between al-Qadhafi and advocates of NEPAD, in particular President Mbeki of South Africa, appear to have been successful, albeit broadly in favor of the South African agenda. Libya has indicated its acceptance of NEPAD and the APRM, and has joined the NEPAD Implementation Committee.

Some commentators view NEPAD as a state-centric, elite-generated framework created with little input from political opposition parties or civil society. Although many civic activists see much hope in NEPAD, some warn that NEPAD may fail without greater public engagement in its implementation — a criticism publicly recognized by leading NEPAD architects, such as President Mbeki.

African Peer Review Mechanism. Under the APRM, signatory states will monitor one anothers' adherence to the collective, economic and corporate governance goals, codes, and standards contained in the NEPAD *Declaration on Democracy, Political, Economic and Corporate Governance*. APRM participation is voluntary, and African leaders emphasize that it will function by providing a positive incentive structure for long-term, incremental political reform and regime transformation. They stress that the APRM is not intended as a punitive instrument or as a mechanism through which APRM member states would condemn or sanction their peers. Despite such assurances, some NEPAD critics believe that implementation of the APRM will eventually cause NEPAD to become subject to donor demands for externally defined economic and political reforms, imposed as conditions on aid. The effectiveness and intent of the APRM was questioned by many observers after South African President Thabo Mbeki made statements that appeared to fundamentally redefine the purpose and scope of the APRM. He reportedly suggested that the APRM would assess states' economic performance but not their governance or human rights records. His remarks were seen by some observers as having the potential to significantly undermine donor support for NEPAD. However, a March 2003 NEPAD document, the *African Peer Review Mechanism Organization and Processes*, which lays out an APRM organizational and procedural structure, makes specific reference to APRM assessments "on matters relating to human rights, democracy and political governance," which will be conducted by a range of specialized AU organs.[5] The APRM will become operational after one-fifth of AU members join the Mechanism.

Implementation Activities. Current NEPAD implementation activities center on creating the organizational structures, mechanisms, and procedures through which NEPAD will operate and coordinate policy with the African Union. The U.N. Economic Commission for Africa and the African Development Bank have been appointed as technical coordinating institutions for NEPAD. A second major focus of activity is on

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[4] Ranjeni Munusamy, "Mbeki's African Plan under Fire," June 16, 2002, *Sunday Times* (Pretoria).

[5] Dave Clark, "African Leaders Meet amid Fears of Rift on Continental Development Plan," *Agence France Presse*, November 3, 2002, and Reuters, "Africans Won't Judge Each Other on Politics-Mbeki," October 30, 2002.

public outreach efforts targeted at diverse multi-lateral forums and the publics of African countries. Several NEPAD Implementation Committee meetings have been held to refine NEPAD priorities and set program guidelines, and there have been workshops to coordinate the roles within NEPAD of key regional economic communities[6] and multi-lateral African financial institutions. Several conferences have been held focusing on private sector, scholarly, and civil society contributions to NEPAD. A series of NEPAD sector-focused program assessments reports have been undertaken were considered by the 6th NEPAD Heads of State Implementation Summit in March 2003. Current NEPAD news and documentation can be accessed online; see [http://www.nepad.org].

International Response to NEPAD

Officials of donor governments and the international financial institutions have expressed general support for NEPAD and indicated that they may provide assistance for it. The broad thrust of NEPAD, but not explicitly the $64 billion in increased capital flows that NEPAD envisions as deriving mainly from outside the continent, was endorsed in principle by the G-8 Group summit in Kananaskis, Canada in June 2002. In their *G8 Africa Action Plan*, which contains a range of detailed but non-binding commitments to Africa that largely mirror NEPAD goals, G-8 heads of state declared that they would:

> establish enhanced partnerships with African countries whose performance reflects the NEPAD commitments ...on the basis of measured results. This will lead us to focus our efforts on countries that demonstrate a political and financial commitment to good governance and the rule of law, investing in their people, and pursuing policies that spur economic growth and alleviate poverty. We will match their commitment with a commitment on our own part to promote peace and security in Africa, to boost expertise and capacity, to encourage trade and direct growth-oriented investment, and to provide more effective official development assistance ... [while recognizing] that the prime responsibility for Africa's future lies with Africa itself.

Some analysts see prospects of exponentially increased capital flows to Africa as unrealistic and interpret the $64 billion figure as a bargaining target, not a set NEPAD requirement. Such views are reflected in a G-8 Kananaskis summit statement entitled *Building a New Partnership for Africa's Development: A New Partnership*, which qualifies the G-8 response to NEPAD. It states:

> The *G8 Africa Action Plan* is a political response to a political initiative; it is not a pledging document. G8 Leaders nonetheless recognized that additional resources are needed to help give effect to the NEPAD. In the *Action Plan*, they indicated that half of the new [overseas] development assistance they had announced at Monterrey could go to Africa if the NEPAD is implemented. This would amount to US$6 billion per year for Africa by 2006, in addition to existing development assistance and to the much larger private-sector financial flows that both the NEPAD and G8 Africa Action Plan seek to encourage by creating the conditions necessary to increase trade and investment.

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[6] Major regional trade and economic cooperation organizations include the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC), the East African Community (EAC), the Regional Integration Facilitation Forum(RIFF), the Economic Community of West African States (ECOWAS), the Southern African Customs Union (SACU), and the West African Economic and Monetary Union (WEAMU).

Despite the important role expected to be played by external financing, leading NEPAD advocates assert strongly that NEPAD is an African-initiated endeavor, that must — for reasons of sustainability, legitimacy, and in order to build local capacities for long-term self-reliance — remain fully controlled by Africans. They reject the explicit linking of policy conditions by outside actors in exchange for financing related to NEPAD. Several donor governments, however, including the United States, have stressed that if the AU fails to implement political reform-related aspects of NEPAD early in its development, investment in Africa and external support for NEPAD may be undercut.

U.S. Policy

Bush Administration. The Bush Administration has welcomed NEPAD as an ambitious, African-initiated policy framework, but has not offered specific assistance in support of NEPAD. Instead, Administration officials assert that the United States is already pursuing development assistance and supporting policy reforms in Africa by providing substantial assistance under existing and forthcoming U.S. assistance programs.

Congressional Reception. Congressional reactions to NEPAD have been mixed. On March 20, 2003, Representative Meeks introduced H.Res. 155, which proposes sense of the House language urging the President to encourage support for NEPAD and associated investment and economic development goals. Other members have offered more qualified views of NEPAD. On September 18, 2002, during a hearing on NEPAD before the Subcommittee on Africa of the House Committee on International Relations, Subcommittee Chairman Edward Royce stated that

> NEPAD is particularly relevant in light of the Bush Administration's Millennium Challenge Account (MCA), a developing initiative that seeks to direct added development aid to countries committed to political and economic reform. We need to better understand how these two initiatives complement one another, but also how they differ from past development aid plans and approaches. Calls for greater development aid, whether from Africa or here at home, must confront the fact that hundreds of billions of dollars of such aid has been spent in Africa, much producing few results... While I have always had doubts about big economic and social plans and their bureaucracies, I certainly hope NEPAD meets its goals...[7]

Some congressional and Administration policymakers have warned that future U.S. support for NEPAD may not materialize unless African leaders undertake demonstrable, concrete actions to actively confront and hold to account undemocratic AU/NEPAD member states. Some have specifically cited what they view as the reluctance of African leaders to criticize the government of Zimbabwe for what U.S. officials see as an extensive record of violent political oppression and human rights abuses.[8]

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[7] House Committee on International Relations, Subcommittee on Africa, "Statement of Chairman Ed Royce," Hearing entitled *The New Partnership for Africa's Development: An African Initiative*, September 18, 2002.

[8] See, for example, Jim Fisher-Thompson, "Mugabe Regime Could "Cripple" Efforts to Help Africa, Official Says," *Washington File*, March 22, 2002.; and U.S. Rep. Edward Royce, "Royce Calls for South African Leadership on Zimbabwe" (Press statement), March 14, 2002.

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