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## **The New Partnership for Africa's Development: Performance, challenges, and the role of UNCTAD**

**Note by the UNCTAD secretariat**

### *Executive Summary*

In 2001, African leaders adopted the New Partnership for Africa's Development (NEPAD) and pledged to take responsibility for the future of their continent and establish a new relationship with their development partners. This note provides background information on NEPAD. It also highlights some of the achievements of NEPAD over the last ten years and identifies the key development challenges facing African countries. Finally, it discusses how UNCTAD could support African countries in addressing these development challenges, and presents some issues for discussion

## **I. Background on NEPAD**

1. At the dawn of the new millennium, African Heads of State and Government pledged – through the New Partnership for Africa's Development (NEPAD) – to take responsibility for the future of their continent and also to establish a new relationship with bilateral development partners and multilateral organizations based on mutual trust, respect and accountability (NEPAD and African Union, 2001). NEPAD was adopted in 2001 and ratified in 2002, however its origins can be traced to three independent but related initiatives on the continent, namely: the Omega Plan, initiated by President Abdoulaye Wade of Senegal in January 2001; the Millennium Africa Recovery Plan (MAP), spearheaded by President Thabo Mbeki of South Africa in 2001; and the New African Initiative, which emerged out of a merger of the Omega Plan and the MAP and was subsequently transformed into NEPAD.

2. NEPAD is the first comprehensive development approach initiated, implemented and owned by African governments, with the full support of the international community. It provides a vision of the kind of society and economy that African governments want to build. Furthermore, it is not only a development framework, philosophy or vision, but also a development programme with concrete projects geared towards addressing Africa's development needs and challenges. The broad long-term objectives of NEPAD are to eradicate poverty, put Africa on a sustainable development path, and halt the marginalization of Africa. In the NEPAD framework document, African leaders identified the following issues and priority areas as crucial for achieving the broad objectives of NEPAD:

(a) Establishing conditions for sustainable development through maintaining peace and security and also improving economic, corporate and political governance;

(b) Promoting investment and policy reforms in priority areas such as infrastructure, human resource development, agriculture, the environment, and science and technology; and

(c) Strengthening the mobilization of resources through, for example, boosting domestic savings as well as official development assistance and private capital flows, reducing external debt, and diversification of production and exports.

3. In its resolution 57/7 of 4 November 2002, the United Nations General Assembly requested all United Nations departments and agencies to coordinate and align their work on Africa with the priorities of NEPAD. The United Nations also set up the Regional Coordination Mechanism to enhance collaboration, coordination and coherence in United Nations support to the African Union and its NEPAD programme. Furthermore, the United Nations, in collaboration with the African Union Commission, designed the Ten-Year Capacity-Building Programme for the African Union to ensure that United Nations support is in line with the needs of African governments. UNCTAD has also been requested to strengthen support to NEPAD. For example, in the Accra Declaration and the Accra Accord, member States of UNCTAD agreed to strengthen support to NEPAD and, more generally, to the regional integration process in Africa.

4. The year 2011 marked the end of the first decade of the adoption and implementation of NEPAD. Therefore, this executive session in 2012 provides an opportunity for member States of UNCTAD to examine the performance of NEPAD as it enters into its second decade of implementation, with a view to identifying what has worked, areas where more work needs to be done, existing opportunities and challenges, lessons learned, and how to move the process forward, paying particular attention to how

UNCTAD could contribute more to the process. Against this backdrop, this note provides background information on NEPAD. It also highlights some of the achievements of NEPAD over the last ten years and identifies the key development challenges facing African countries. Finally, it discusses how UNCTAD could support African countries in addressing these development challenges, and presents some issues for discussion.

## II. Performance and achievements of NEPAD

5. Assessing the overall performance of NEPAD is challenging, because it is difficult to isolate NEPAD's contributions to observed economic outcomes from those of other programmes and policies. Nevertheless, the available data indicate that Africa's economic growth performance in the decade that NEPAD was introduced (2000–2009) was significantly better than in the decade before its introduction (1990–1999). More specifically, the annual average growth rate of real output in Africa rose from 2.7 per cent in the period from 1990 to 1999, to 5 per cent in the period from 2000 to 2009. Furthermore, the growth rate of real output per capita increased from 0 per cent to 2.6 per cent over the same period. It should be noted, however, that the improvement in Africa's growth performance in the period from 2000 to 2009 has not had a significant impact on either employment or poverty reduction. In this context, one of the challenges facing African leaders in the implementation of NEPAD is how to ensure that growth is accompanied by employment creation and poverty reduction.

6. NEPAD has also made some progress in the area of agriculture. Through the Comprehensive Africa Agriculture Development Programme (CAADP), NEPAD is slowly laying the foundation for higher agricultural productivity and output in Africa. As a result of CAADP, African countries are paying more attention to the agriculture sector. For example, eight countries have achieved the 10 per cent target budget allocation to agriculture stipulated in CAADP, and nine countries have achieved the target average annual growth rate of agricultural output of at least 6 per cent (United Nations, 2011b). NEPAD has also taken measures to develop infrastructure in Africa, which is crucial for agricultural development in the region. For example, the Programme for Infrastructure Development in Africa, launched at the 2010 summit of the African Union in Kampala, presents a coherent strategy for the development of regional and continental infrastructure in Africa, thereby laying the foundation for higher agricultural productivity and output in the region.

7. Another achievement of NEPAD is that it has put Africa on the global agenda and has also galvanized international support for the region. As a result of the adoption of NEPAD, the Group of Eight (G8) launched the Africa Action Plan in June 2002 and made commitments to support the implementation of NEPAD. Since then, there has been a significant increase in official development assistance (ODA) to Africa. In particular, total ODA flows to Africa increased from \$21.4 billion in 2002 to \$47.9 billion in 2010 while bilateral flows from the OECD Development Assistance Committee (DAC) members rose from \$13.4 billion to \$29.3 billion over the same period. Despite this increase, current aid flows from the DAC to Africa are still below the commitments made to the region. In this regard, there is a need for G8 countries to fulfil their existing commitments to Africa. The adoption of NEPAD was also a key factor in the decision of G8 leaders to allow selected African leaders to participate in G8 summits, and subsequently in meetings of the G20, thereby ensuring that African development issues remain on the global agenda.

8. NEPAD has also made some progress in the area of economic and political governance (United Nations, 2011a). According to the 2011 *African Economic Outlook*, the economic environment in several countries in the region has improved, particularly in areas such as tax reform, access to credit, and enforcement of contracts. Furthermore, in the area

of political governance, significant progress has been made, particularly on electoral issues and processes. For example, peaceful elections were held in 13 countries in 2010 and in 20 countries in 2011. The African Peer Review Mechanism (APRM), adopted by the NEPAD Heads of State and Government Implementation Committee in March 2003, has contributed to the recent improvements in economic and political governance in the region by acting as an agency of restraint on government actions. Thirty-three countries have joined the APRM and fourteen have completed the process and are at various stages of implementation of the recommendations of the review.

9. Another achievement of NEPAD is that it has compelled the United Nations to take actions to enhance coherence in the provision of support to Africa. Since the endorsement of NEPAD in United Nations General Assembly resolution 57/7 of 4 November 2002, NEPAD has become widely accepted as the framework and mechanism through which the United Nations and the international community should support Africa's development efforts. The United Nations has also established the Regional Consultation Mechanism (RCM), thereby enhancing coherence as well as coordination in the provision of support to Africa (Economic Commission for Africa, 2012). It should be noted that membership of the RCM is not restricted to United Nations agencies. In particular, regional organizations such as the African Development Bank and the African regional economic communities (RECs) are now members of the RCM.

10. Despite the progress that has been made so far in the implementation of the programmes and activities of NEPAD, it is becoming clear that African countries are far from achieving their ultimate goals of eradicating poverty, putting the region on a sustainable development path, and halting the marginalization of the continent in the global economy. Some of the reasons for the slow progress in achieving the overall objectives of NEPAD include (a) low levels of human and financial resources; (b) capacity constraints; (c) coordination problems between the NEPAD secretariat and the RECs; (d) inadequate involvement or lack of involvement of important local stakeholders in the process; (e) weak infrastructure; and (f) the absence of quantifiable benchmarks for monitoring and evaluation (Economic Commission for Africa, 2007).

### III. Addressing Africa's development challenges

11. African countries have to deal with several development challenges, ranging from poverty, unemployment, commodity dependence and food insecurity, to urbanization, climate change and vulnerability to external shocks. UNCTAD research suggests that African countries are likely to make significant progress in addressing these development challenges if the efforts of African governments and their development partners focus on the following key policy areas:

(a) **Promoting structural transformation.** African countries need high, inclusive and sustained economic growth in order to create employment and reduce poverty. The history of modern economic development indicates that structural transformation is required in order for this to happen. In particular, the countries that have made significant progress in creating employment and reducing poverty have been those that have successfully gone through a process of structural transformation, involving a reallocation of resources and factors of production from low- to high-productivity activities both across sectors and within sectors. Unfortunately, most African countries are yet to go through this essential process of structural transformation and reverse the recent trend of deindustrialization. For example, the share of manufacturing value-added in Africa's gross domestic output fell from about 15 per cent in 1990 to 11 per cent in 2008. Therefore, one of the critical issues that African countries have to address in the short-to-medium term is

how to halt this process of deindustrialization and increase the role of manufacturing and modern services in the economy.

(b) ***Strengthening domestic resource mobilization.*** Mobilization of domestic resources is also crucial for addressing the development challenges facing African countries. It permits countries to finance important development projects and also to have national ownership of the development process and outcome. Developmental States are needed in Africa to strengthen resource mobilization and to channel it into productive investments. They can also ensure that domestic firms have access to long-term finance, particularly in countries that face severe borrowing constraints. In this context, the difficulties that African countries encountered in accessing external capital during the recent global economic crises should be taken as a wake-up call to reduce overreliance on external capital for financing development. African countries, particularly those in sub-Saharan Africa, have low domestic savings. The annual average ratio of savings to GDP in sub-Saharan Africa fell from 20 per cent over the period from 1980 to 1989, to 16 per cent over the period from 2000 to 2009. African countries should strengthen domestic resource mobilization, for example by boosting growth, broadening the tax base, reforming tax and customs administrations, and stemming capital flight.

(c) ***Boosting regional integration.*** Regional integration will play a key role in enlarging Africa's market size, and in boosting the competitiveness of African economies and enhancing their capacity to integrate into the global economy. Regional integration can also contribute to the development of infrastructure and support Africa's industrialization efforts. Although regional integration has been on the agenda of African countries for decades, the level of integration in the region is still very low. For example, intra-African trade in the region is only about 10 per cent of total trade. Some of the reasons for the low level of regional integration in Africa include lack of diversification, weak infrastructure, high tariff and non-tariff barriers, and insufficient implementation of regional integration agreements. Recently, African leaders have taken some measures to strengthen regional integration. For example, at the eighteenth African Union summit held in January 2012, African leaders adopted a plan to create a Continental Free Trade Area in the region. If the plan is implemented, it will boost intra-African trade significantly.

(d) ***Strengthening South–South cooperation.*** South–South cooperation can contribute to Africa's development efforts through, for example, increasing the resources available for development in the region, diversifying the region's export markets, and providing access to modern technologies. UNCTAD (2010) suggests that trade is the most significant channel of cooperation between Africa and non-African developing countries. The share of non-African developing countries in Africa's trade increased from about 15 per cent in 1995 to 29 per cent in 2008. While Africa's growing relationship with other developing countries has had some positive impacts, it may also expose domestic firms to more competition and reinforce commodity dependence. In this context, African countries should seek to take advantage of the opportunities provided by South–South cooperation and to minimize the risks.

(e) ***Developing infrastructure.*** The poor state of infrastructure in Africa is a major factor inhibiting structural transformation and the attainment of sustained economic growth in the region. It is estimated that Africa requires about \$93 billion per year to meet its infrastructure spending needs, and that the region loses one percentage point of per capita income growth each year as a result of poor infrastructure. The poor state of infrastructure increases transactions costs and makes it difficult for domestic firms in the region to compete in global export markets. Therefore, lifting the infrastructure constraint is a necessary condition for structural transformation and growth in Africa.

12. UNCTAD believes that, given the binding resource and capacity constraints facing African countries, the focus of African policymakers in the short-to-medium term should be

on the priority areas identified above. It is worth noting that most of these issues are already on the NEPAD priority list. However, the current priority list of NEPAD is so broad that these critical issues are not receiving sufficient attention and resources. In this regard, there is a need for African countries to reassess the current priorities of NEPAD and to consider narrowing its focus.

#### **IV. The role of UNCTAD**

13. How can UNCTAD support African countries in the priority areas discussed in the previous section? It should be noted that UNCTAD has been addressing most of the identified priority issues and can provide assistance to African countries based on its research and policy analysis work. During the first decade of NEPAD's existence, UNCTAD carried out research on several economic issues critical to addressing Africa's development needs and challenges. Recent UNCTAD research reports on African development issues include:

(a) The 2007 *Economic Development in Africa* report, which addressed the issue of how to strengthen the mobilization of domestic resources, and the role of this in creating policy space for African countries. The report also highlighted the critical role of developmental States in domestic resource mobilization;

(b) The 2009 *Economic Development in Africa* report, which focused on how to strengthen regional economic integration for Africa's development. The report argued that regional integration could help African countries enhance productive capacities, improve competitiveness, realize economies of scale and integrate into the global economy;

(c) The 2010 *Economic Development in Africa* report, which examined the growing relationships between Africa and non-African developing countries and offered suggestions on how these partnerships could be geared towards supporting technological progress, capital accumulation and structural transformation in Africa;

(d) The 2011 *Economic Development in Africa* report, which presented new stylized facts on the state of manufacturing in Africa. The report also provided a strategic framework for industrial development, and offered recommendations on how to promote industrialization in Africa in the new global environment characterized by changing international trade rules, the growing influence of industrial powers from the South, the internationalization of production, and increasing concerns about climate change; and

(e) The 2012 *Economic Development in Africa* report, subtitled *Structural Transformation, Decoupling and Sustainable Development in Africa*, which focuses on how African countries can achieve sustainable structural transformation through improving resource use efficiency and reducing the environmental impact of resource use.

14. The above policy research reports on African development issues can form the basis for providing technical assistance and policy-related capacity-building support to African countries in the short-to-medium term.

#### **V. Issues for discussion**

15. The key issues slated for discussion at the panel session include:

(a) What are the challenges, opportunities, and lessons learned in the implementation of NEPAD?

(b) What is needed to accelerate progress in achieving the objectives of NEPAD and how can UNCTAD assist?

- (c) How can the United Nations system strengthen collaboration, coherence and coordination in providing support to NEPAD?
- (d) What should be the role of African regional economic communities and other local stakeholders in the implementation of NEPAD?

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