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## Report of the Secretary-General's Advisory Panel on International Support for the New Partnership for Africa's Development

### Note by the Secretary-General

In accordance with paragraph 33 of General Assembly resolution 59/254 of 23 December 2004, the Secretary-General has the honour to transmit to the General Assembly the report of the Secretary-General's Advisory Panel on International Support for the New Partnership for Africa's Development, entitled "From rhetoric to action: mobilizing international support to unleash Africa's potential".

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*Summary*

The report of the Secretary-General's Advisory Panel on International Support for the New Partnership for Africa's Development carries a twofold central message: first, that the New Partnership for Africa's Development (NEPAD) cannot succeed without a significant increase in international support; and second, that unleashing Africa's tremendous development potential requires harnessing the creativity and dynamism of private initiative in a range of areas, including agriculture, industry, science and technology and infrastructural development. The Panel considers that strengthening private initiative in its widest sense is the key to Africa's economic transformation, and that an efficient, supportive and capable public sector is vital to achieving the aforementioned objectives.

The Panel has noted a number of areas that require policy action by the African countries. These relate, in the main, to the need for continuing improvement in the quality and processes of economic and political governance. The Panel considers that these are particularly critical. However, in line with its mandate, the Panel has listed a number of recommendations that it views as requiring priority action by the international community and the United Nations system.

## Aid

The Panel fully endorses the call for a substantial increase in aid levels (net of debt relief and humanitarian assistance), in accordance with the commitments made by the Group of Eight major industrialized countries in Monterrey, Mexico, and the pledge to channel at least one half of this increase to sub-Saharan Africa.

African countries which commit themselves to and are shown to have a good policy environment, in accordance with criteria adopted by NEPAD and agreed by the international community, should receive the levels of aid that they need to implement the investment programmes and projects agreed to in their poverty reduction strategy papers and supporting budgets, provided they meet the commitments that they make.

Aid must be provided on grant terms (or as loans with a grant equivalent substantially higher than 25 per cent) and must be predictable and untied so as to reduce dislocations in budget implementation and enhance value for money.

Aid must be provided on a multi-year basis and be sustained so as to encourage countries to make long-term expenditure commitments, in particular for the attainment of the internationally agreed development goals.

Aid donors must strive to improve the coherence of the objectives of their assistance in individual country-supported development plans and strategies, including the poverty reduction strategy papers, and harmonize better their administrative procedures.

In particular, donors must commit themselves to an accelerated, time-bound programme for implementing the commitments made in various declarations, including the 2001 Recommendation on Untying Official Development Assistance to the Least Developed Countries, the 2003 Rome Declaration on Harmonization and the 2005 Paris Declaration on Aid Effectiveness, to improve the role and impact of aid.

## Debt relief

Criteria for debt relief should be focused on the effective utilization of the resources thus released for poverty reduction and growth. The appropriate amount of debt reduction should be measured against the explicit development objectives defined by the NEPAD process.

The Panel strongly supports the proposal that all debt should be cancelled, in any event for all low-income countries. The middle-income countries should receive substantial debt relief.

## Trade

The Panel recognizes the important role that the freeing of trade can play in African development. Such freeing of trade must be undertaken both by the African nations and by other nations.

The reduction of African trade barriers, which continue to be significant, will eliminate the incentive bias against exports; it will also enable the African nations to benefit from intra-developing country trade.

The reduction of the trade barriers that confront Africa is at least as important. However, the Panel warns that the structure of African trade must be kept in view. For instance, a reduction of agricultural subsidies in the European Union and the United States of America could harm, not help, the many African nations that are net importers, rather than exporters, of agricultural goods.

When resource reallocation is required to profit from trade liberalization, it is necessary to create institutions that will facilitate such reallocation. The private sector, the role of which is stressed in the present report, must be assisted through such measures as the provision of credit, the establishment of clear property rights and the provision of technical assistance, wherever necessary.

In addition, just as import liberalization is accompanied by the provision of adjustment assistance programmes in the developed countries, the Panel recommends putting in place forthwith similar programmes in Africa. The African nations need multilateral assistance for the design and financing of such adjustment assistance schemes.

While bilateral and subregional preferential trade agreements are increasing in number in Africa, the Panel considers the completion of the Doha Round of multilateral trade negotiations to be an important priority for the African nations and urges fulsome support for it by NEPAD.

To facilitate the completion of the Doha Round, the Panel considers that NEPAD can make a strong case for aid flows, both compensatory and short-term adjustment-oriented, to African countries seriously affected by the reduced value of their traditional preferences as most-favoured-nation (MFN) liberalization proceeds.

The Panel urges the international community to support the building of infrastructure in support of the NEPAD goal of enabling trade within Africa to grow to mutual advantage.

## Capital flows and remittances

Efforts should be made by developed countries to promote policy measures which will facilitate inward remittances and capital flows to Africa, by encouraging lowering of the fees charged by banks and, in the case of the former, by other intermediaries, and by promoting investment opportunities in Africa.

## Private sector development

To succeed in promoting private businesses in Africa, there is a pressing need for active support from multilateral institutions and developed countries. In particular, development agencies should strengthen their technical cooperation with NEPAD and individual countries by assisting them in the design of country-specific strategies for improving investment climates.

As a first step, multilateral development institutions should enhance their coordination in providing assistance and aim at increasing their efficiency, thereby reducing pressures on the administrative capacities of African Governments. In this respect, technical assistance funds could be channelled through a multilateral mechanism. Multilateral agencies could provide the technical and financial assistance required for setting up domestic investment promotion agencies. In this vein, the International Monetary Fund and the World Bank should put greater emphasis on the role of the private sector within the poverty reduction strategy paper policy frameworks.

## Improving the quality and coordination of support provided by the United Nations system

The organizations and agencies of the United Nations system should make greater efforts to work together to provide focused and coordinated support to NEPAD and to help African countries to mobilize significant financial resources for Africa's development, including for NEPAD programmes and projects, at the national and regional levels. In addition, the United Nations system should support the efforts of Governments to improve the management and delivery of aid and the formulation and implementation of projects.

## Improving the monitoring of pledges and disbursements

A process of consultation and dialogue for following up the commitments made should be established. The process should involve a partnership between the African Union and the United Nations and have the mandate to follow up pledges and review and report on all aspects of international support for Africa.

# Transmittal letter dated 3 June 2005 from the Chairman of the Secretary-General's Advisory Panel on International Support for the New Partnership for Africa's Development addressed to the Secretary-General

I have the privilege to transmit to you the report of the Advisory Panel on International Support for the New Partnership for Africa's Development, entitled "From rhetoric to action: mobilizing international support to unleash Africa's potential". The Panel, the members of which participated in their individual capacities and not as representatives of their Government or organization, has endeavoured to respond as fully as possible to the mandate given to it, which was to recommend ways of mobilizing international support, including by the United Nations system, for the New Partnership for Africa's Development.

The work of the Panel was undertaken during a period in which Africa's development needs were brought to the forefront of international attention in 2005 by the report of the United Nations Millennium Project, *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals*, the report of the United Kingdom Commission for Africa, *Our Common Interest* and the report of the Secretary-General entitled "In larger freedom: towards development, security and human rights for all". These documents stressed that significant additional financial assistance over an extended period of time will be needed to meet Africa's human needs and development goals. The Panel recognizes and affirms the importance of the findings and recommendations of these reports.

In the light of the well-articulated financial needs of Africa, highlighted in the above-mentioned reports, the Secretary-General's Advisory Panel on International Support for the New Partnership for Africa's Development has sought to add value to the current discussion by outlining critical steps needed to move from rhetoric to action.

The present report carries a twofold central message. The first part of the message is that NEPAD cannot succeed without a significant increase in support from the international community. The second is that unleashing Africa's potential for development requires harnessing the creativity and dynamism of private initiative in a range of areas, including in agriculture, industry, science and technology, and infrastructural development. The Panel is of the view that strengthening private initiative in its widest sense is the key to Africa's economic transformation. An efficient, supportive and capable public sector is vital to achieving these objectives.

At the same time, the Panel seeks to emphasize four essential points. First, the financial and policy commitments that have been made by the international community must be honoured fully and as rapidly as possible.

Second, African countries, and their international partners, must focus on results. The lives of people must change as a result of African and international support for NEPAD. Success cannot be measured in the number of consultations, meetings and plans alone. International support must yield results-based action which will unleash Africa's human potential and the economic potential of the formal and informal private sector.

Third, the consultations held by the Panel have suggested that more financial aid will be committed and delivered if the United Nations, in conjunction with the African Union, develops a system and procedures for calling together all donors and relevant organizations of the United Nations system to address individual sectors, such as agriculture and food security, infrastructure, peace and security or education, in order to agree on specific goals, commitments and timetables.

Fourth, coordination and leadership must come from the United Nations system and the African Union as the key intermediaries in ensuring that African Governments and peoples and the Governments and peoples of the rest of the world work in partnership, as a team, and not in competition or isolation as individual players. In this regard, Member States must affirm and support the role of the coordinating capacity of the United Nations while African States must contribute to and strengthen the African Union and NEPAD institutions so as to ensure that the African developmental process is truly Africa-driven and Africa-owned.

The Panel is also of the view that there should be an expanded role for the United Nations Office of the Special Adviser on Africa to, inter alia, monitor the implementation of the commitments made by the international community in support of Africa's development and to promote an enhanced coordination of United Nations system-wide support for NEPAD.

Since the General Assembly welcomed NEPAD in 2002, there has been a gradual building of international support for the New Partnership. The institutions of NEPAD have been created and its programme has been elaborated in a remarkably short period of time. Nevertheless, there is much work to be done to deliver real results and the Panel looks forward to the continuing opportunity to monitor the progress of international support for NEPAD programmes and to identify, in successive reports, the extant critical gaps.

In its deliberations, the Panel drew upon input from a wide range of sources, including those of Governments, academic experts and organizations of the United Nations system. Further consultations will be held by the Panel in connection with its next report. The Panel is grateful for the financial support provided for its work by the Governments of Norway and Denmark.

I would add that it is the intention of the Panel to submit, at a subsequent stage, a supplementary report for your consideration. That report, which is expected to be produced by the first quarter of 2006, will assess the progress made in international support for Africa's development in relation to the outcomes of important international summit meetings, such as those of the Group of Eight and the European Union and the sixtieth session of the General Assembly Summit in the latter part of 2005.

I should like to conclude by thanking you for the opportunity to serve as Chairman of the Panel and to thank the members of the Panel for their active participation throughout its work. I should also like to express our gratitude to the members of the Secretariat for their excellent administrative and research support.

(*Signed*) Emeka **Anyaoku**
Chairman
Secretary-General's Advisory Panel on International Support
for the New Partnership for Africa's Development

# From rhetoric to action: mobilizing international support to unleash Africa's potential

## Report of the Secretary-General's Advisory Panel on International Support for the New Partnership for Africa's Development

## Contents


| | | Page |
|---|---|---|
| I. | New opportunity in Africa | 8 |
| II. | Growing consensus on what is needed in Africa | 10 |
| | A. Rural development and agriculture | 11 |
| | B. Investment in human development | 11 |
| | C. Investing in physical infrastructure | 13 |
| | D. Private sector development | 14 |
| | E. Improvements in governance in Africa | 16 |
| | F. Conflict resolution and peacebuilding | 17 |
| III. | Strengthening international partnerships | 17 |
| | A. Increasing aid to Africa | 18 |
| | B. Cutting the burden of Africa's debt | 21 |
| | C. Freeing trade and making it work for Africa | 23 |
| | D. Encouraging private capital flows and remittances | 25 |
| IV. | Giving practical meaning to international support for Africa's development efforts | 28 |
| | A. Improving the delivery of international support for Africa's development | 28 |
| | B. Improving the quality and coordination of the support provided by the United Nations system | 29 |
| | C. Improving the monitoring of pledges and disbursements | 30 |
| V. | Summary of recommendations to the international community, including the United Nations system | 31 |
| Annexes | | |
| I. | Members of the Panel | 36 |
| II. | Meetings and consultations held by the Panel | 38 |

# I. New opportunity in Africa

1. Africa is once again in the international development spotlight. Halfway through the first decade of the new millennium, there is renewed soul searching about the crisis in African development. The challenges of Africa's development came into renewed focus at the dawn of the new millennium as the international community began to confront with renewed concern and commitment the developmental challenges that continue to be posed by the developing countries in general, and Africa in particular, despite a measure of progress and prosperity in several areas of the world.

2. In September 2000, the international community signalled a renewed commitment to development and the mitigation of poverty and disease by adopting the United Nations Millennium Declaration, which incorporated the Millennium Development Goals. This was followed in 2001 by an agreement reached in Doha to launch, under the auspices of the World Trade Organization (WTO), a new round of trade negotiations, known as the Development Round, specifically to address the needs and concerns of the developing countries, and in 2002 by the conferences on development financing and sustainable development held, respectively, in Monterrey, Mexico, and Johannesburg, South Africa.

3. All of these millennium initiatives acknowledged the need for special efforts to address the critical challenges confronting Africa. Moreover, at its summit meeting held in Kananaskis, Canada, in 2002, the Group of Eight major industrialized countries adopted an action plan for Africa and reached an agreement that one half or more of the additional resources pledged in Monterrey would be channelled to Africa.

4. This would not be the first time that the international community had forged special initiatives in support of African development. Many international programmes for Africa's development were adopted under the auspices of the United Nations in the 1980s and 1990s. None lived up to the promises made — or the potential that they held. Against the background of the past failures, there has been much cynicism and concern, not least in Africa itself, that the new millennial momentum will fizzle away. For a while, international interest in Africa seemed to have ebbed as the world's attention shifted to other issues that have emerged to dominate the global agenda in recent years.

5. For their part, there is the renewed resolve of the African political leaders, as evidenced in the adoption of the New Partnership for Africa's Development (NEPAD), and their commitment to improved economic and political governance, built on the substantial achievements of the past two decades. Although NEPAD is not the first statement of a collective response by African leaders to the development challenges of the region, the chances of successful implementation of NEPAD are better and the case for concerted international support stronger for a number of reasons. The NEPAD policy document offers a comprehensive diagnosis and analysis of the region's economic, social and political reality and offers a credible overarching policy framework for addressing the challenges at the national, regional and continental levels. NEPAD is backed by a larger body of supportive African institutions than previous initiatives. There are, for example, a larger number of democratically elected leaders in the NEPAD political leadership than there were when the Lagos Plan of Action was adopted a quarter of a century ago.

Moreover, 25 countries have voluntarily signed up for the NEPAD African Peer Review Mechanism (APRM) and the process has begun with a number of reviews. Even beyond the formal processes of APRM, there are encouraging signs that the African Union (AU) and regional bodies are playing an important role in dealing with potentially disruptive national crises.

6. Also, while some official development assistance (ODA) continues to be given in furtherance of geopolitical considerations, there is a marked shift to allocations based on good policies. This evolving new thrust of aid reflects a much greater understanding and recognition of the conditions of aid effectiveness and of what works and what does not work in domestic policy reform.

7. Further, there is a growing consensus in the development community on what needs to be and what can be done to alleviate Africa's development crisis, and on the need for bold and extraordinary efforts. The recently published reports of the United Nations Millennium Project[1] and the Commission for Africa[2] broadly map the outlines of this growing consensus on what needs to be done.

8. We view this confluence of critical factors as marking a NEW OPPORTUNITY for Africa.

9. Yet many challenges remain. The African reality itself remains as daunting as ever. Although a growing number of countries have achieved an economic growth rate of over 5 per cent per annum in the past five years, such progress has tended to be rather episodic and, in any case, well below the 7 per cent growth rate generally considered to be necessary to begin making a dent on poverty in the region. The preponderance of small-sized economies and the creation of economic space for investors and entrepreneurs remain an important challenge in attracting large flows of foreign direct investment (FDI). Inadequate physical infrastructure also continues to cast a shadow over efforts to improve the investment climate. Sub-Saharan Africa has the world's lowest average primary school completion rates. Conflict and civil strife remain significant obstacles to development, especially in West Africa. There are also many challenges to be met by the international community in moving from consensus to action, as detailed in the present report.

10. Thus, in carrying out its task, the Panel faces something of a paradox: on the one hand, there is a greater appreciation of the complexity of Africa's problems, a macroeconomic and governance environment that is much improved in the region, a growing consensus on the need to garner the political will for decisive action, and the ready availability of technologies and proven best practice for addressing many previously intractable problems, including advances in malaria vaccine research and food production technology which have huge benefits for poverty alleviation. On the other hand, there is a continuing sense of helplessness about what can be done — a feeling that the region is an impossible basket case, and a continuing hesitation and pleas for realism by the rich countries in confronting the narrow, vested interests on which market distortion and harmful subsidies continue to be lavished.

11. The task of mobilizing international support for Africa's development is as much a matter of ensuring sustained reform in the region in the areas of economic and political governance as it is one of changing perceptions of the region's development experience and potential; it is as much a matter of changing the African reality as it is of changing the popular perceptions of it.

12. In meeting this challenge, the starting point is to recognize that a growing number of the region's political leaders and in civil society accept the nature and complexity of the challenges and are committed to policies that can bring about change as rapidly as possible through conscious policy reform. This is the signal that NEPAD provides.

13. In what follows, we examine the multiple challenges that must be addressed to ensure the successful implementation of NEPAD. We focus first on the actions being taken by African countries as part of the growing consensus on what needs to be done within Africa in order to stimulate and reinforce the credibility of the NEPAD process. This is followed by what is to be done through international partnership to help unleash and sustain Africa's development potential. Finally, we outline a few, selected measures which should be taken to improve the processes of delivery of international support with a view to achieving its development objectives. This latter point reflects the recognition that the process by which support is delivered is as important as the pledge of assistance itself.

# II. Growing consensus on what is needed in Africa

14. The participation of African people at the grass-roots level through the establishment of micro, small and medium-sized enterprises and family-owned businesses is a crucial prerequisite for African development. The number of success stories by the people is the cornerstone for domestic resource mobilization. If the people are convinced that what they are doing on a daily basis creates wealth and improves the quality of the lives of their families, they are certain to follow through despite the difficulties they might face on the way.

15. Transformational change that moves African people to a higher standard of living requires the simultaneous, significant participation of the three major drivers of change: the state, the private sector and civil society. Without the effective engagement of these three agents of change, achieving the Millennium Development Goals and building peaceful and democratic societies will remain a dream. While the entrepreneurship of domestic small, medium-sized and large enterprises is a major engine for job creation in Africa, state efforts to improve the investment climate for foreign investment is an important complement to the dynamism of the domestic private sector.

16. Countries which have shaped a constructive, mutually supportive relationship between the public and private sectors have been more successful than those which have opted either for the primacy of the market or the predominance of the state. An effective state maintains good policies and develops credible institutions that are supportive of growth. An effective state also strives for education and health systems which create a productive and skilled workforce, includes civil society in policy dialogues, and invests in the institutional and physical infrastructure to complement private dynamism.

17. There is greater consensus now than ever before on what needs to be done to accelerate growth, reduce poverty and promote sustainable development in Africa. NEPAD not only reflects this consensus but builds on it by identifying key priority areas for action. Increasingly, African Governments have come to recognize that the continent's great potential for development can only be fully unleashed through the proactive development of the rural sector, investment in human resources, including

in particular training in science and technology, the development of the required infrastructure, the promotion of private initiative and creativity, and improved governance.

## A. Rural development and agriculture

18. The first and most important pillar in African development is agricultural transformation. Africa is the only continent in which food production has declined significantly over the past two decades. The failure to achieve real agrarian reform has been one of the major obstacles to development in Africa. In contrast, agrarian reform has been one of the major means of wealth creation and income redistribution in the newly industrialized countries of East Asia.

19. The priority tasks in rural development are complex and multifaceted. The presence of a strong and effective enabling state which has the capacity to respond to the demands of rural producers is a precondition for successful agricultural revolution. If local initiatives are to succeed, the state must play an active and supporting role by investing in the agricultural research, extension, transport and communication and storage facilities which are essential ingredients for raising productivity and increasing incomes for farmers. These local initiatives will also require international support in the form of technical cooperation and assistance designed to build local capacity. In addition, government has an important role to play in providing, where necessary, sustainable price support mechanisms and in reforming land tenure systems in order to improve security of title and access to land.

20. NEPAD has formulated a Comprehensive Africa Agriculture Development Programme to improve agricultural productivity and reduce hunger throughout Africa. The road map for the Programme focuses on expanding areas under sustainable land and water management, improving market access and infrastructure, increasing food supplies, improving responses to food emergencies, and improving dissemination and adoption of agricultural research and technology. In the Maputo Declaration on agriculture and food security in Africa, adopted by the Conference of Ministers of Agriculture of AU in July 2003, African countries were urged to allocate 10 per cent of their national budgets to agriculture within five years.

21. An important area in which international support for NEPAD will be required is that of environment and biodiversity conservation. The extent of the revenue derived from tourism in many African countries and the crucial role of the effective management of freshwater ecosystems and protection of watershed systems in promoting sustainable agriculture and rural livelihoods underscore the importance attached to environmental issues by African Governments. There is, therefore, a case for bilateral and multilateral support for environmental projects undertaken either directly or in partnership with credible conservation organizations.

## B. Investment in human development

22. There is a clear consensus in Africa and in the development community in general, that massive investment in Africa's human resources is a necessary condition for development. However, although human resource issues are being

increasingly better addressed in poverty reduction strategy papers and accompanying national budgets, there are severe resource constraints which continue to hold back significant advances in health and education. The Panel recognizes that there are many different initiatives that African Governments can undertake in regard to the development of human resources, depending on local circumstances. Nevertheless, we would like to stress four areas: school enrolment, young people in high-risk situations, retention of skilled personnel and investment in science and technology.

23. The United Nations Millennium Project team has called upon developing country Governments, supported by donor aid as necessary, to end user fees for primary schools and essential health services. Citing the successes achieved in primary and secondary school enrolment and the improvements made in regard to gender equality in countries in which school meal programmes have been introduced, the team rightly urges Governments to launch such programmes as a quick-win strategy to be implemented by the end of 2006.

24. It is not, however, simply the primary education needs of the upcoming generation of children that must be addressed. Millions of children will be beyond the age of primary school enrolment when the necessary financial support for education is delivered. In the meantime, many children and young people are at risk in post-conflict situations and millions have been orphaned as a result of HIV/AIDS and other infectious diseases. The situation of these vulnerable young people must be improved as a critical matter of human resource investment for development. Without an adequate response, these generations will not reach their development potential and will instead be restricted to fighting for survival. If these generations are lost, development efforts will be seriously undermined and societies may be destabilized.

25. In parallel with the overall development efforts relating to health and education, the situation of children in high-risk situations must be treated as an emergency. Access to health education and training in other life skills should also be promoted through supervised sports activities and play. The United Nations strategy on sports and development should be further developed to include new partnerships and non-governmental organizations and the private sector. The Panel considers that the international business community should be encouraged, through their corporate social responsibility schemes, to provide resources to meet these needs.

26. Another critical aspect of human resource development in regard to health and education is the shortage of medical and educational professionals in many parts of Africa. For example, in fighting AIDS in Africa, the shortage is less one of cash than of medical personnel such as doctors, nurses, pharmacists and even community workers and counsellors.[3] For example, at a hospital in Addis Ababa, which serves the bulk of the country's patients on anti-retroviral therapy, two doctors and two nurses care for roughly 2,000 people; Malawi, to take another typical example, employs one nurse for every 4,000 citizens.[4] Indeed, there are widespread shortages of skilled people to handle all kinds of developmental problems. Thus, when export opportunities open up for African agricultural commodities, there will be need for scientists to address the sanitary and phyto-sanitary obstacles typically imposed to resurrect agricultural protectionism; in the absence of such professionals, exports will not materialize despite the reduction of subsidies in the European Union (EU) and the United States of America.

27. Handling Africa’s human resource bottlenecks will require a composite of actions. Education, both at home and abroad, must be expanded. This must include incentives that encompass women and do not exclude minorities (whether ethnic, religious or linguistic). However, given the difficulties faced by professionals at home, it is likely that many will migrate when possible. Retaining them at home with high salaries is a possibility but, when economic returns and social possibilities abroad are profoundly greater, it is difficult to imagine that much of a dent can be made through this mechanism; besides, enormous salaries create problems of horizontal equity in society and can also trigger a race to increase salaries all around, a move that cannot be afforded in poor societies. Africa may then have to deal with the possibility that, even as educated Africans can and must increase in number, few will stay at home. For the foreseeable future, therefore, priority must be given to devising imaginative schemes to provide professionals from abroad. For instance, it has been suggested that a grey peace corps be established to provide to Africa on a systematic basis retired professionals in several fields of expertise, in the way that the United States Peace Corps has provided young people to developing nations.[5]

28. Finally, the Panel wishes to highlight the vital importance of improving scientific and technological skills in African countries. Investments in this area have the potential to ignite significant private initiatives which would enable Africa to compete in the global market. Particular efforts should be made to increase the participation of women and minorities (ethnic, religious or linguistic) in scientific and technological initiatives, since these groups usually face a number of overt and covert obstacles that deprive countries of their talents while limiting the opportunities of individuals to reach their full potential.

29. Africa cannot leave the task of making development-oriented scientific and technological breakthroughs to the industrialized nations alone. Highly industrialized countries must be encouraged to supply the capital and know-how to help Africans to acquire and adapt technological tools and know-how to developing country needs. The more scientifically and technologically proficient developing nations in Africa, such as South Africa, Egypt and Nigeria, among others, can also fill a useful niche in this regard. They should participate with the industrialized countries in promoting science and technology on the continent and help to train young researchers in critical fields.

30. African Governments must support centres of excellence in science and technology in large countries and join together regionally to ensure coverage of the smaller countries. The key institutions to be developed and strengthened together with the centres of excellence include virtual networks of excellence which promote high-quality research to be shared by a number of geographically dispersed institutions; independent national or regional academies of science, medicine, agriculture and engineering; and digital-library resources.

## C. Investing in physical infrastructure

31. Modern physical infrastructure (roads, power, ports, water, telecommunications and electric power generation) can directly contribute to the improvement of living standards of poor people and encourage the growth of business activities in Africa. Well-maintained infrastructure can increase productivity and investment in the

private sector and farming, improving commerce by speeding up the transport of goods and raw materials, sustaining energy-efficient production and making information and means of communication more readily accessible and timely. Modern and efficient infrastructure can also allow small producers in both urban and rural sectors to benefit from regional markets. Moreover, given that many African countries are landlocked, it could provide larger enterprises with transportation alternatives, thus helping them to acquire critical input.

32. The poor quality of infrastructure imposes heavy costs on the producers of tradable goods and on the rest of the population, given the low population density in Africa. Furthermore, economic and financial losses due to technical inefficiencies in major physical infrastructure are mainly felt by small and large businesses. Since infrastructural development in most low-income countries requires public funding, the level of spending and the access of the rural poor to infrastructure and public services have important implications for human capital and productivity in the agricultural sector.

33. Against this backdrop, physical infrastructure in Africa is in need of rehabilitation, upgrading and expansion in order to compensate for many years of neglect and poor maintenance. Since infrastructural development is one of the main priority areas of NEPAD, African Governments should strictly align budgetary expenditures with the set objectives. In particular, African countries must shift their efforts towards small-scale infrastructure (e.g., rural feeder roads), designed to improve access and accessibility for those in remote areas. In this regard, Governments could welcome public-private partnerships, including various forms of joint ventures, build-operate-transfer (BOT) schemes, and similar business arrangements, which could contribute to the upgrading and expansion of physical infrastructure. More regional cooperation programmes should be promoted, with the aim of improving transboundary infrastructure. In addition to providing support to the NEPAD short-term action plan on infrastructure, the international community should provide a technical and financial contribution to a medium to long-term action plan.

## D. Private sector development

34. A dynamic domestic private sector is an important force for development, constituting a significant source of job creation, exports and investment. A vibrant and progressive private sector facilitates economic diversification and adaptive structural change. In addition, private sector firms provide most of the tax base needed to fund public services. The absence of competitive domestic private activities is a fundamental reason why Africa continues to lag even in comparison with other parts of the developing world. Unleashing Africa's potential for development depends crucially on a dynamic private sector, including a strong informal sector.

35. The informal sector plays a significant role in African economies since it offers the means for many people to cope with the severe lack of employment opportunities in the public and formal private sectors. While the proportion of the labour force employed by the informal sector varies from country to country, it has been estimated to account for some 80 per cent of total non-agricultural employment in Africa, and over 90 per cent of all new jobs created in the region in the 1990s.[6]

The informal sector employs more women than men and is often the only option for members of marginalized groups for whom the barriers to entry into the formal job market are especially high.

36. With greater support from national and local governments, the indigenous entrepreneurship and creative potential of the informal sector operators could be tapped and small informal enterprises could grow into more productive formal enterprises which would yield employment, growth and a significant increase in tax revenues.

37. A number of constraints prevent informal sector enterprises from achieving their full potential, including inadequate access to credit and financial resources. Furthermore, many people engaged in the informal sector lack business know-how and have limited opportunities to access business information and business support services. To facilitate the evolution of informal enterprises into fully productive formal enterprises, it is recommended that Governments introduce and enhance microcredit schemes and provide small business information services as a key component of the country's poverty reduction strategy.

38. To create momentum for the new development framework under NEPAD, the private sector must play a leading role. Actions are required on a range of issues to support established private sector firms. Governments in Africa should strive to establish a real partnership with representatives of the private sector, including small and medium-sized enterprises. Public-private partnerships can be used to improve the delivery of basic services, such as energy and water, facilitate access to larger financing opportunities and enhance skills.

39. African countries must restructure their domestic financial sectors and develop capital markets and non-bank financial institutions. Microfinance institutions can also play a role by empowering individual entrepreneurs through providing the means to accumulate small-scale capital for starting up small and medium-sized enterprises.

40. In certain circumstances, African Governments could help to develop linkages between domestic private sector firms and foreign businesses by offering initial incentives (fiscal, financial etc.) for doing business on the continent. Moreover, Governments in Africa could promote the establishment of advisory councils for investors, which would include private sector representatives and governmental officials. Such councils would provide a direct channel for communication between potential investors and policymakers. The main aim of the councils would be to help to focus the efforts of Governments on creating an environment that is conducive to investment. Governments could also mobilize financial resources for private sector development by providing appropriate guarantees for members of the diaspora to invest their savings domestically.

41. The Growing Sustainable Business (GSB) initiative for poverty reduction, adopted by the United Nations Development Programme (UNDP) aims to facilitate and increase investment and business activities that have a positive impact on sustainable development and the Millennium Development Goals. In the context of the GSB initiative, UNDP plays the role of broker by linking private sector abilities and local development priorities through the development of new, cutting-edge business models. With more resources provided by donor countries, UNDP could

extend the initiative by brokering more partnerships between companies and non-governmental organizations or local government bodies.

## E. Improvements in governance in Africa

42. There is a growing consensus on what should comprise the key elements of governance reforms in Africa. These include creating or strengthening institutions that foster predictability, accountability and transparency in public affairs; promoting a free and fair electoral process; restoring the capabilities of state institutions, especially those in States emerging from conflict; anti-corruption measures; and enhancing the capacity of public service delivery systems.

43. Nothing better illustrates Africa's commitment to a new approach to governance than the establishment of APRM, under the aegis of NEPAD. Created as an instrument to which African Governments voluntarily subscribe, APRM has developed agreed codes of governance and incorporated a mechanism for reviewing adherence. About one half of African countries have acceded to APRM and several are nearing completion of their first review. APRM is not intended to be an instrument for coercive sanctions but a mechanism for mutual learning, sharing of experience and identifying remedial measures to address real weaknesses. Thus, the periodic evaluation built into the APRM process will help Governments to address the obstacles that hinder effective governance in their countries.

44. Critical to improving the quality and efficacy of the public sector is commitment to public service capacity-building. Capacity-building has several components, of which three are critical: training, funding of civil service modernization and adequate pay for public servants. Deterioration in these areas has adversely affected the ability of the public sector to deliver services. Indeed, inadequate levels of salaries in Africa have been a major cause of weak incentives, high turnover and corruption. In many African countries, this has led donors to support increased employment of expatriates. Although intended to compensate for weakness in national expertise, the practice uses up a significant proportion of aid resources without developing national capacity. Studies carried out by the United Nations have shown that it would be both cheaper and more sustainable if part of the aid budget were used, for an interim period of several years, to support national salaries, strengthen incentives and build national capacity on a sustainable basis. This would help African countries to develop the expertise to manage their development programmes. Thus, one area in which international support should be aligned with African efforts is that of providing funding for these three critical dimensions of public service capacity-building.

45. Many of the socio-economic and budgetary challenges confronting Africa are associated with bad governance. In particular, corruption hinders economic growth and investment by increasing transaction costs, thus diverting public funds from their planned allocation. In addition, corruption feeds on governmental policies that generate rent seekers and allow some members of society to capture unjustified profits by bribing governmental officials. Corruption can also lead to the misallocation of public resources, in violation of the law and budgetary rules and regulations. By diverting resources from development and increasing inequality, corruption becomes a major obstacle to development. To tackle corruption, African Governments should proceed with public sector reforms, including ensuring

appropriate pay for civil servants and enhancing accountability of all public administrators. They could also remove import and export quotas, some tax exemptions, non-targeted subsidies and other policies that grant privileges to special interest groups. Anti-corruption efforts should include increased public-private collaboration, as well as increased transparency through improved data collection and analysis.

### F. Conflict resolution and peacebuilding

46. Over the past few decades, Africa has suffered more from armed conflicts than any other continent. The consequences of these conflicts have seriously undermined Africa's efforts to ensure long-term stability, prosperity, human rights and gender equality for its people. Ending violent conflicts and building the foundations for a democratic economic and political order are essential prerequisites for the continent's development.

47. With the transformation of the Organization of African Unity into the African Union in 2000, Africans are taking a lead role in preventing and resolving African conflicts. The creation in 2004 of the Peace and Security Council of the African Union marks a significant milestone in Africa's commitment to the prevention, management and resolution of conflicts in the continent. The Council rejects unconstitutional changes of government and provides for intervention in member States in response to war crimes, genocide and crimes against humanity.

48. Making peace is one thing; sustaining it is another. Despite the renewed commitment under NEPAD by African leaders to conflict prevention and democratic governance, the international community has as yet failed to provide sufficient resources to achieve these objectives. Without support, there is a limit to how much some countries can do to prevent conflict and build peace. In many countries, poverty and injustice are actually the principal causes for the absence of peace. Societies damaged by years of civil war and internal strife cannot adjust overnight to the changing dynamics of the global economy. Current disarmament, demobilization and reintegration programmes in post-conflict societies are a necessary but not sufficient precondition for stability and durable peace in Africa. Hence, stimulating economic growth, expanding opportunities for Africans to move out of poverty, building inclusive political systems, and increasing the access of poor people to basic services are all daunting tasks that African countries cannot undertake alone.

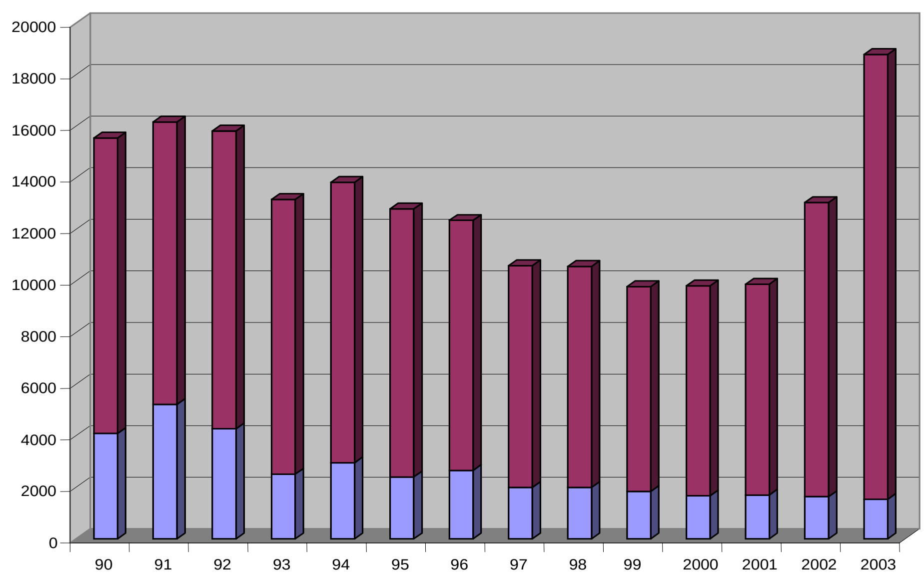
## III. Strengthening international partnerships

49. International support is vital for Africa's development. While ODA and increased market access are important components of assistance to Africa, developed countries should ensure coherence among their aid, trade, debt and investment policies vis-à-vis Africa so that the support extended to Africa through one instrument (e.g., debt relief) is not nullified by another (e.g., trade policy).

## A. Increasing aid to Africa

50. Aid is still the largest source of development financing for the region, reaching just over $18 billion (net) in 2003. After a prolonged decline in aid flows during the 1990s, aid levels have begun to increase again, as figure 1 demonstrates.

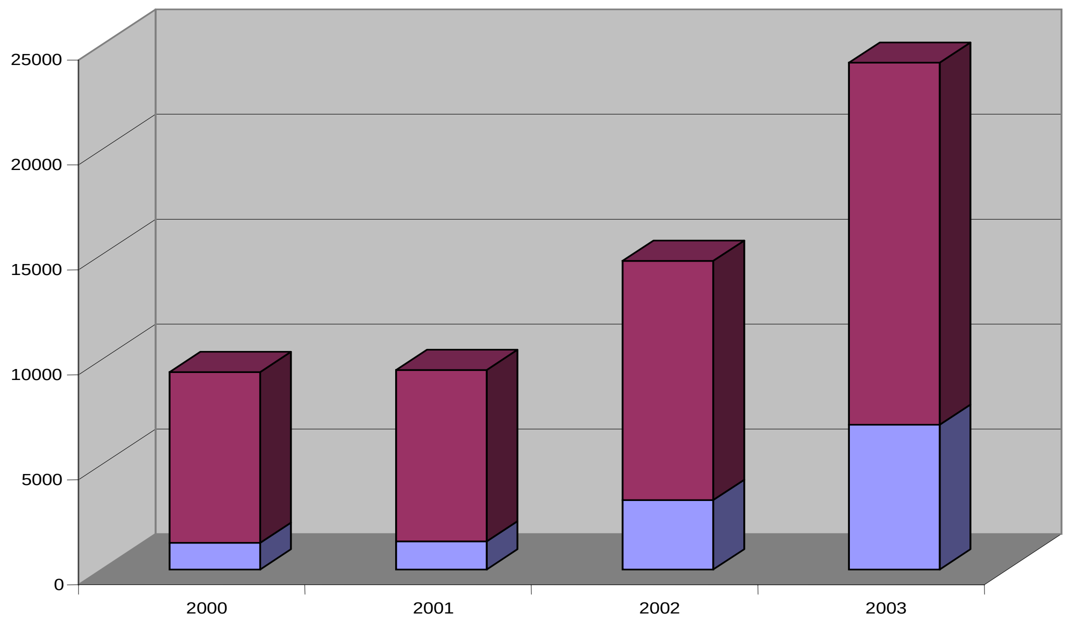
Figure 1
**Aid provided to Africa, 1990-2003**
(In millions of United States dollars)




*Source*: Organization for Economic Cooperation and Development, Development Assistance Committee, *International Development Statistics*, online.
Dark bars represents aid to sub-Saharan Africa; light bars, aid to North Africa. The aid is in net disbursement terms, at current dollar values.

51. It is worth noting that a growing portion of ODA to sub-Saharan Africa consists of debt forgiveness and rescheduling. Figure 2 shows the breakdown between new (net) transfers and debt forgiveness.

Figure 2
**Official development assistance and debt relief provided to sub-Saharan Africa, 2000-2003**
(In millions of United States dollars)




*Source*: Organization for Economic Cooperation and Development, Development Assistance Committee, *International Development Statistics*, online.
Light bars represent debt cancellation or rescheduling.

52. There is a broad consensus within the international community that, given the problems of deepening poverty and the need for accelerated development in Africa, aid levels to the region, especially to sub-Saharan Africa, should be significantly increased. The Millennium Development Goals imply larger aid flows for sub-Saharan countries if they are to achieve the goals by 2015. Major aid-giving Governments promised in 2002 at the International Conference on Financing for Development to raise substantially their aid levels, especially for sub-Saharan Africa. NEPAD also implies larger amounts of aid where Governments are prepared to manage their economies well and use the aid productively. The Commission for Africa in its recent report urges the doubling of aid levels to sub-Saharan Africa over the forthcoming three to five years, bringing the new aid level to $50 billion by 2010. Others (e.g., the United Nations Millennium Project report) come to a similar conclusion.

53. The uses of aid differ in Africa as they do in other regions of the developing world. Some aid is utilized for humanitarian purposes, that is, to relieve suffering in cases in which the recipient Governments lack the needed resources. Aid provided

in response to natural or man-made disasters is the most familiar form of this type of assistance. While humanitarian assistance has been critical in saving lives, development partners are urged to provide assistance on a long-term basis rather than constantly responding only when a crisis arises. Aid is also used to finance development projects or to fund governmental balance of payments and budgetary requirements.

54. Finally, there are the aid outlays which are principally spent outside Africa but for the benefit of Africa. There are many possibilities, and indeed a great need, for increasing this type of assistance and channelling it to the funding of regional public goods in the areas of research and training. Official outlays could be expanded to mobilize the development and purchase of vaccines and cures for diseases endemic to Africa. Combined with topping up the poorly paid salaries of African medical personnel, consideration might be given to such programmes as the creation of a grey peace corps, where doctors in rich countries could be mobilized, with compensation as necessary, to work in Africa, or the provision of pre-fabricated clinics designed for targeted countries in Africa. In addition, the provision of special training could alleviate the shortages of skills required in the distribution and management of drugs, especially antiretrovirals. Since a substantial part of this component of aid is consumed in the administration of aid and by bureaucracies and consultants in the host countries, there is a need to improve its transparency and to enhance its real benefit to Africa.

55. While it is widely agreed that there is an urgent need to increase aid to Africa, significant increases in aid should be selective, that is, provided to those countries in which the Government is accountable to its people and committed to its country's economic and social progress. Indeed, this has been the policy of the international financing institutions and of bilateral donors in recent times. Much more work needs to be done to determine how aid can help. Thus, it is important to emphasize that, since NEPAD provides some incentives for improved governance under its peer review mechanism (APRM), it should be more decisively engaged in determining the criteria for selectivity and the role that aid can play in assisting poorly governed and failing States in adopting policies and practices that support the development of their peoples. Governments will become more accountable if incentives for reducing corruption and repression and for strengthening political institutions through greater public knowledge and participation in the political process were provided under an African-led peer review process. The call for increased aid to Africa must be accompanied by a commitment by the African Governments to ensure the efficiency of its use. Among other things, this turns critically on building the capacity effectively to manage and utilize the aid resources allocated to Africa. The utilization of aid in investment programmes prepared and implemented within the framework of the poverty reduction strategy papers provides improved safeguards for the efficient use of aid. However, much more needs to be done to improve the transparency of the budgetary process and to strengthen legislative oversight.

56. The Panel makes the following observations and recommendations with regard to the important matter of aid to Africa:

(a) The Panel fully endorses the call for a substantial increase in aid levels (net of debt relief and humanitarian assistance), in accordance with the commitments made by the Group of Eight countries in Monterrey, Mexico, and the pledge to channel at least one half of the increase to sub-Saharan Africa;

(b) African countries which commit themselves to and are shown to have a good policy environment in accordance with criteria adopted by NEPAD and agreed by the international community should receive the levels of aid that they need to implement investment programmes and projects agreed in their poverty reduction strategy papers and supporting budgets, provided they live by the commitments that they make;

(c) Donor nations must adhere to high standards in regard to the grant-equivalent content of their aid disbursements. The figures for ODA are based on concessional transfers with grant-equivalence of 25 per cent of nominal flows. This is far too low, and donors are urged to shift to grants or loans with a grant equivalent substantially higher than 25 per cent;

(d) Donors should improve the coherence of the objectives of their assistance in individual country-supported development plans and strategies, including the poverty reduction strategy paper, and better harmonize their administrative procedures;

(e) To facilitate the formulation and implementation of medium-term programmes, aid should be provided on a pre-committed, multi-year basis which ensures that projects and programmes once started are not abruptly left dry of funds.

## B. Cutting the burden of Africa’s debt

57. Given present trends, most African countries will be very far from achieving the Millennium Development Goals by 2015. To address the debt burden problem, many African countries at first resorted to repeated debt rescheduling which focused on debt-service flows, resulting in steadily increasing debt stocks and related service payments. As at July 2004, 23 African countries of 27 participants were benefiting from debt relief under the Heavily Indebted Poor Countries (HIPC) initiative, introduced in 1996: Benin, Burkina Faso, Cameroon, Chad, Democratic Republic of the Congo, the Gambia, Guinea, Guinea-Bissau, Ethiopia, Ghana, Madagascar, Malawi, Mali, Mauritania, Mozambique, the Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Uganda, United Republic of Tanzania and Zambia.[7] The total amount of debt relief committed (for the 14 countries at the completion point and the 13 at the decision point) under the original HIPC initiative and the enhanced HIPC initiative (launched in 1999) was $54 billion in nominal terms, equivalent to a reduction of $32 billion in net present value (NPV) terms. In 2003 NPV terms, the outstanding debt stock of the 27 countries was expected to fall from about $80 billion to $26 billion after the delivery of traditional debt relief by bilateral creditors, assistance under the HIPC initiative and additional bilateral forgiveness.

58. However, while the HIPC initiative has removed the debt overhang for many countries, the burden of debt service payments remains high (see table 1). At the end of 2002, African countries owed a total of $296 billion to creditor countries and institutions, of which an amount of $211 billion was owed by the countries of sub-Saharan Africa.[8] This debt grew from $120 billion in 1980 to $340 billion in 1995. Almost 80 per cent of Africa’s debt is owed to official institutions, about one third of which is multilateral debt owed mainly to the International Monetary Fund (IMF) and World Bank. At the same time, total debt service payments by the continent increased from $3.3 billion in the 1970s to a peak of $26 billion in 1999, of which

sub-Saharan Africa's share was $14.6 billion.[9] A substantial portion of these debts is uncollectable. The reasons for the increase in post-HIPC initiative debt burdens in the majority of countries are well known and include both external shocks and poor macroeconomic management.

Table 1
**Africa's external debt, 1970-2002**
(In billions of United States dollars)[a]

| | *1970-1979* | *1980-1989* | *1990-1996* | *1997-1999* | *2000-2002* |
|---|---|---|---|---|---|
| Total debt stocks | 39.3 | 180.5 | 297.2 | 317.3 | 292.6 |
| Principal arrears | 0.7 | 9.1 | 31.6 | 40.5 | 26.3 |
| Total debt service paid | 3.3 | 18.6 | 25.7 | 26.1 | 23.7 |
| Total debt stocks/exports of goods and services[b] | 91.0 | 195.2 | 242.8 | 217.6 | 168.6 |
| Debt service paid/exports of goods and services[b] | 7.8 | 20.1 | 21.0 | 17.9 | 13.7 |
| Total debt paid/gross domestic product[b] | 24.2 | 51.7 | 67.0 | 61.8 | 54.6 |

*Source*: Computations by the secretariat of the United Nations Conference on Trade and Development, based on World Bank, *Global Development Finance and World Development Indicators*, online data.
[a] Annual averages.
[b] Percentage.

**Need for broader external debt relief**

59. As argued in the report of the United Nations Millennium Project, the appropriate amount of debt reduction should be measured against explicit development objectives, such as those enshrined in the Millennium Development Goals. The amount of debt relief would then be determined on the basis of expected development assistance and the need to avoid a new debt overhang. An approach along the same lines was taken by the United States General Accountability Office, which had calculated the amount of the overall additional assistance needed to help to achieve economic growth and sustainable debt targets of heavily indebted poor countries. Similarly, in its report, the Commission for Africa considered that criteria for relief should be similar to those applied for aid and thus focus on the utilization of the resources released for poverty reduction and growth. In line with the growing consensus on the need for significant debt reduction for African countries, as evidenced in the above-mentioned reports and the widespread support given to the proposals of the United Kingdom Government, the international community should endorse, in the context of the Millennium Development Goals, a comprehensive debt reduction to benefit all heavily indebted countries in sub-Saharan Africa and substantial debt relief for middle-income countries. In the past, as in the case of the debt write-offs for Egypt ($29 billion), Jordan ($1.4 billion) and Poland ($2.7 billion), similar relief has been provided to support countries on the path to economic restructuring and resumed growth.

60. Although no external relief for domestic debt is envisaged, success in achieving the Millennium Development Goals will be greatly assisted by ensuring

macroeconomic stability, of which prudent domestic public debt management is an important element. A reduction of domestic public debt could also help to boost growth by freeing resources for the productive sectors of the economy.

61. Accordingly, the Panel recommends a 100 per cent debt cancellation for all low-income countries, including those not eligible for debt relief under the HIPC initiative, and significant relief for middle-income countries.

## C. Freeing trade and making it work for Africa

62. While trade and its share in national income have grown rapidly in most developed and developing countries over the past half century, remarkably, the average African experience does not follow this pattern. In the mid-1950s, the share of sub-Saharan Africa in world exports was 3.1 per cent. By 1990, its share had fallen to 1.2 per cent.[10] Of course, there is some diversity of experience among African countries. For example, Botswana, Côte d'Ivoire, Mauritius and a few others have experienced significant growth rates of trade and of income at varying periods. Yet, the exceptions are few and bleak experience is dominant.[11]

63. Typically, such marginalization can be explained by internal and external factors. The case of Far Eastern economies has clearly demonstrated that both internal (i.e., protectionism) and external (i.e., foreign protectionism) constraints on trade must be addressed if trade is to become an engine of growth and poverty reduction.

64. Also, it is essential to examine the current structure of trade. In particular, the effect of external protectionism (i.e., EU agricultural subsidies) will depend on whether African nations are importers or exporters. Clearly, if African nations are exporters of major commodities, they stand to gain from the removal of foreign subsidies which reduce the world prices of these commodities. However, since many African countries are importers, they will initially be harmed, not helped, by the removal of EU subsidies since this will lead to an increase in world prices of the affected commodities.

### 1. Internal measures

#### Macroeconomics and institutions

65. There are several internal obstacles to African trade. The importance of maintaining sound macroeconomic policy, reflected in a stable exchange rate and low inflation, has been underscored for several decades. Concurrently, greater investment in infrastructure is also necessary to achieve higher rates of growth. At the same time, even if macroeconomic conditions were not perfect and there were a substantial lack of viable infrastructure, providing appropriate incentives to entrepreneurs and investors could have salutary effects on export and economic performance.

#### Trade policy

66. Reduction of their non-negligible trade barriers by African countries is important for a number of reasons. First, theoretical and empirical work in the 1960s and 1970s has shown that one's own trade barriers can handicap the exploitation of

trade opportunities abroad by creating an incentive bias against exports and in favour of domestic markets.[12] Second, trade barriers to one another's trade have also limited the ability of African countries to gain from trade.

### 2. External factors

67. A number of external trade agreements have been negotiated in Africa. Their implications for gains by Africa vary, depending on what the agreements are.

#### Bilateral

68. African nations have been a part of the recent proliferation of bilateral and subregional preferential trade agreements. Such agreements exist, for the most part, under the Enabling Clause at WTO, which is available to developing countries. Unfortunately, the Clause imposes negligible discipline, allowing all kinds of partial and selective trade liberalization among member countries. Such selective and ad hoc liberalization is unlikely to enhance efficiency and needs careful evaluation before being undertaken.

69. The African Growth and Opportunity Act is a different example of a bilateral preferential trade agreement. It extends the preferential access of African exports to the United States of America in key areas, such as clothing. However, it also builds into itself reverse preferences — for example, eligibility restrictions based on the use of United States input. Moreover, a recent analysis by the World Bank estimates that the benefit of the Act is significantly lowered by the presence of such reverse preferences.[13] The benefit could be even less if the losses imposed by the trade-unrelated requirements (e.g., the acceptance of unsuitably excessive labour standards with a view to minimizing competition for United States producers) are taken into account.

#### One-way preferences

70. One-way preferences include General System of Preferences (GSP) schemes, the Everything but arms (EBA) initiative of EU and those agreed to under successive Lomé accords and Cotonou agreements. The recent report of WTO on the future of the Organization outlines the many ways in which these schemes are less beneficial than they seem. In particular, they allow for the removal of concessions when exports increase, exempt sensitive items and reduce the effective scope of preferences while still extracting concessions unrelated to trade.[14]

#### Doha round of multilateral trade negotiations

71. The Panel recommends that African nations put their bargaining power behind multilateral trade liberalization at Doha and beyond.

72. Since there will be some fallout from developed countries proceeding with most-favoured-nation (MFN) liberalization, it would be appropriate also to argue for the provision of additional aid, in particular for countries which are currently suffering from terms of trade decline and high debt burdens. Thus, we suggest that NEPAD make a strong case for aid flows, both compensatory and short-term adjustment-oriented, to African countries which are seriously affected by the reduced value of their traditional preferences as multilateral liberalization proceeds.

73. Three other observations are in order:

(a) As tariff barriers decline, it is important to find other revenue sources in place of falling trade tax revenue since, in several African countries, such revenue remains a significant part of total revenue. During the transition to non-trade sources of revenue, aid flows, aimed at replacing revenue shortfalls from trade liberalization, could be very useful;

(b) When resource reallocation follows trade liberalization, it is also necessary to provide adjustment assistance programmes so as to facilitate the transition. Therefore, African nations should develop adjustment programmes, like the safety nets developed in advanced countries. The design and financing of such schemes could be accomplished with multilateral assistance. The cost of these adjustment assistance programmes, if they are designed carefully, should be relatively minuscule in comparison with large potential gains to be made from trade liberalization;

(c) In the light of the greater prospects for the reduction of agricultural subsidies and trade barriers abroad, the ability of African producers to respond to changed market prices becomes relevant. In this context, African nations should address with urgency the establishment of institutions to facilitate a better supply response so as to take advantage of the export opportunities that will open up with trade liberalization. These measures dovetail into the emphasis placed in the present report on strengthening the private sector, which should play a prominent role in Africa's development. We recognize and applaud the fact that WTO has recognized the need to address the capacity constraints of African countries and has committed itself to providing enhanced technical and capacity-building assistance to African countries.

## D. Encouraging private capital flows and remittances

74. Both private capital flows and workers' remittances constitute important sources of development finance for Africa as a whole. Thus, it is vital to identify the best ways to promote further integration of these flows into African economies.

### 1. Capital flows

75. One of the objectives of NEPAD is to attract high and stable inflows of FDI. For this purpose, creating an attractive investment climate should be a high and urgent priority. This said, FDI is only one of several sources of private capital flows that could benefit Africa, as demonstrated in table 2 below.

Table 2
**Private capital flows to Africa, 1998-2003**
(In billions of United States dollars)

| | *1998* | *1999* | *2000* | *2001* | *2002* | *2003* |
|---|---|---|---|---|---|---|
| Foreign direct investment, net | 7.5 | 10.1 | 9.3 | 23.8 | 13.7 | 13.9 |
| North Africa | 2.0 | 2.2 | 2.3 | 3.7 | 1.9 | 3.0 |
| Sub-Saharan Africa | 5.5 | 7.9 | 7.0 | 20.1 | 11.8 | 10.9 |
| Portfolio flows, net[a] | 3.3 | 9.0 | -1.9 | -7.2 | -1.7 | -0.1 |

| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|---|---|---|---|---|---|---|
| North Africa | -0.5 | 0.6 | 0.3 | 1.4 | -0.7 | -0.02 |
| Sub-Saharan Africa | 3.9 | 8.4 | -2.2 | -8.7 | -1.0 | -0.1 |
| Of which: Equities, net | 3.7 | 5.8 | 1.4 | -5.9 | -1.6 | 0.1 |
| North Africa | -4.9 | -4.0 | -3.1 | -5.0 | -1.0 | -0.6 |
| Sub-Saharan Africa | 8.6 | 9.7 | 4.5 | -0.9 | -0.6 | 0.8 |
| Other investment, net[b] | 6.5 | -7.6 | -6.8 | -5.4 | -10.4 | -9.3 |
| North Africa | 2.0 | -0.9 | -2.9 | 1.5 | -3.4 | -6.5 |
| Sub-Saharan Africa | 4.6 | -6.7 | -3.8 | -6.9 | -6.9 | -2.8 |
| Private sector financial account | 17.3 | 11.5 | 0.6 | 11.2 | 1.7 | 4.5 |
| North Africa | 3.4 | 1.9 | -0.4 | 6.6 | -2.3 | -3.4 |
| Sub-Saharan Africa | 13.9 | 9.7 | 1.0 | 4.6 | 3.9 | 7.9 |

*Source*: International Monetary Fund, *Balance of Payments Statistics Yearbook, 2004*.

[a] Excludes official public debt.

[b] Consists principally of loans and deposits.

76. As shown in table 2, over the past six years there have been fairly regular but volatile net inflows of FDI into Africa. However, these have been partially offset by net outflows of other kinds of capital. Net portfolio flows displayed in the table have also been volatile and, since 2000, appear to have turned significantly negative. In particular, the issuance and subsequent repayment of external debt can account for large swings in such liabilities. This suggests that net private borrowing using debt instruments has been rather small over this recent period. Recent trends in private other investment, mainly loans and deposits, show a fairly persistent pattern of net outflows, a substantial part of which seems to be in net repayment of loans. Both North Africa and sub-Saharan Africa have shared in this experience.

77. On balance, and to the extent that the official statistics give an accurate picture, one can see that the private sector financial account for Africa on a gross basis shows moderate net inflows over the past six years. Flows to both North Africa and sub-Saharan Africa have been erratic but, in the past two years, North African countries seem to have experienced net capital outflows, while net flows to sub-Saharan African countries have remained positive. The indicated amounts, however, are not at all large in comparison with Africa's need for external capital. It is also clear that, for both regions, net inward FDI has been the main sustaining force, while movements in other kinds of capital have been volatile and unpredictable. Net outflows have significantly offset the benefits derived from FDI inflows.

78. Clearly, there is a need to deepen capital markets in Africa in order to utilize global savings for the continent's development needs. In this respect, developed countries can assist African partners in the promotion of capital markets and their institutions through the provision of education and training. For their part, NEPAD countries can facilitate higher flows by removing various barriers and honouring obligations as they fall due. All of these actions should help increase the absorptive capacity for foreign capital.

### 2. Transfers and remittances

79. Although exact measures are absent, it is generally agreed that millions of African workers living outside their home countries remit funds home with some regularity. One recent estimate[15] puts the number of such migrants at almost 17 million, of whom about 5 million reside in Europe, Asia or North America. Thus, remittances by African migrants could provide significant financing for consumption and investment in their home countries.

Table 3
**Private remittance flows to Africa, 1998-2003**
(In billions of United States dollars)[a]

| | *1998* | *1999* | *2000* | *2001* | *2002* | *2003* |
|---|---|---|---|---|---|---|
| Africa, total | 14.6 | 13.8 | 14.3 | 15.7 | 16.6 | 20.3 |
| North African countries | 7.9 | 7.7 | 7.6 | 8.9 | 8.6 | 9.6 |
| Sub-Saharan African countries | 6.7 | 6.1 | 6.7 | 6.8 | 8.1 | 10.7 |

*Source*: International Monetary Fund, *Balance of Payments Statistics Yearbook, 2004*.
[a] Private flows include those identified as “workers’ remittances” and “other private remittances”. There is no easy way to distinguish between the two transactions.

80. While for technical reasons these statistics are not very reliable (indeed, some African countries do not compile such data at all), they are the best estimates available at present. These data suggest that Africa has in recent years been receiving an average of $14 billion to $16 billion per year in private transfers, of which slightly less than one half is directed to sub-Saharan African countries, where Kenya, the Sudan and Uganda appear to be the principal recipients. Among the North African countries, Egypt and Morocco dominate the reported receipts.

81. Clearly, private remittances to African countries are substantial. More important, these published numbers surely understate the true magnitude of remittance flows, since migrants sending funds home have a choice: they can choose between institutional entities such as banks, Western Union, MoneyGram, exchange houses and the like, as well as informal channels. While it is difficult to measure the exact share of remittances to Africa that pass through informal channels, it is clear that economic incentives, such as high costs and institutional fees and overvalued exchange rates, are the driving forces behind informal markets. When the incentives to use informal channels are high enough, empirical research suggests that recorded remittance flows can be only one half, or even less than one half, of the total amounts flowing through all channels. [16]

82. To facilitate the flow of remittances, NEPAD should play a more proactive role in encouraging both advanced and African countries to lower existing barriers to the entry and exit of private capital. As mentioned above, these flows not only sustain consumption in home countries but also support investment activities and lead to higher output growth.

83. Below are several recommendations that should help to encourage private capital flows and remittances to African countries:

(a) Promote an economic and regulatory climate that is conducive to inward remittances and to capital inflows, in general. Both developed and African countries can do more to investigate and publicize investment opportunities in African countries;

(b) Ensure that national exchange rates are consistent with market levels, and that exchange and capital control barriers do not encourage black market activities;

(c) Reduce barriers to long-term, non-debt creating capital flows, especially FDI, and the costs to migrants of sending their remittances through sanctioned institutional channels. Both advanced countries and their NEPAD partners can encourage the lowering of fees charged by banks and other intermediaries for these types of transactions and benefit from the experience and progress achieved by other countries, especially in Latin America;

(d) African authorities should view capital and remittance flows as an important part of their national economic statistics. Better measurement of such flows will lead to more accurate assessment of economic conditions, thus helping to formulate better macroeconomic and structural policies and support the development process as a whole.

# IV. Giving practical meaning to international support for Africa's development efforts

84. The central premise of the present report is that international support is vital both to achieve the objectives of NEPAD and to sustain current efforts at political and economic reforms and development in Africa. The recognition that Africa needs not only international support but also significant international support on generous terms over the forthcoming decade to help realize agreed and important development goals has been emphasized in several recent reports.

85. International support is predicated on partnership with Africa. The notion of strengthened partnership has been highlighted in both the action plan for Africa adopted by the Group of Eight in Kananaskis in 2002 and the recent report of the Commission for Africa. This requires that Africa and its development partners keep their parts of the bargain, with Africa improving its governance and its partners, including the United Nations system, improving their delivery of support for Africa's development and improving the monitoring of pledges and disbursements.

## A. Improving the delivery of international support for Africa's development

86. In the past few years, Africa has received pledges of increased support, reflecting both the commitments made in Monterrey and the growing recognition that Africa needs more international support, in particular for NEPAD, to help in its development efforts. Making pledges of support, whether in the form of aid, debt relief, market access or the transfer of technology, is one thing — delivering the pledged support in an effective and timely manner is quite another.

87. There is a growing consensus on what constitutes effective delivery of international support, in particular development assistance. This can be distilled into a set of principles or objectives. Aid should be untied to the extent possible, to allow recipient nations more flexibility in the use of aid resources. Bilateral and

multilateral development partners should simplify their systems of aid coordination, reporting and accounting. There should be accountability by donors, in terms of willingness to assess performance in regard to commitments made and the timely delivery of pledged assistance. Development assistance should be aligned with and closely respond to the priorities of partner countries rather than of donor countries. The number and scope of conditions attached to certain types of assistance should be made less onerous on recipient countries. There should be a reduction in complex and competing procedures of various donors, which impose a heavy burden on the already limited administrative capacity of partner countries.

88. The transaction costs of aid for African countries are perhaps well illustrated by the experience of the United Republic of Tanzania which, in 1999, was asked to produce 2,400 reports per quarter for donors and received more than 1,000 donor missions each year.[17] In order to alleviate the burden imposed by these demands, the Government declared "mission holidays", during which periods no donor delegations were received in the country. By 2003, approximately 230 missions were fielded by donors, with about 5 per cent of all missions being undertaken jointly.[18] Clearly, the coordination of donor assistance, the reporting requirements for aid and the number of missions fielded remain a major challenge to the effective delivery of international support for Africa.

89. Recent efforts, by donors to develop some guidelines to improve aid effectiveness (e.g., the 2001 Recommendation on Untying Official Development Assistance to the Least Developed Countries, the 2003 Rome Declaration on Harmonization and the 2005 Paris Declaration on Aid Effectiveness) are an important step in addressing current shortcomings in the delivery of assistance. Much more effort, however, will be needed to implement the commitments made in these various declarations and to do so quickly.

## B. Improving the quality and coordination of the support provided by the United Nations system

90. The organizations and agencies of the United Nations system constitute an important pillar in the advocacy for and delivery of international support to Africa. The United Nations system plays a wide-ranging role in Africa, from emergency humanitarian aid through preventive diplomacy and peacekeeping to human rights protection and development. Increasingly, the support provided by United Nations agencies falls into four main categories: funding of programmes and projects; capacity-building and institutional development; advocacy work; and norm-setting.

91. In providing support in these areas, the problems of lack of coordination that plague bilateral development agencies also tend to afflict the operations of the United Nations system in Africa. The problems of coordination are manifested in several ways, for example, in the low number of jointly implemented projects in connection with programmes in which many agencies are working; in the failure to consult adequately among themselves in the design of such programmes; and in the heavy administrative burden that such overlapping projects impose on the host Governments. Another area in which inter-agency coordination is still lacking is the interface of the United Nations system with the newly established AU. The main issue here is that the United Nations system is engaged with AU in much the same way as it was with the Organization of African Unity, despite the expanded role and

responsibilities of AU. During the consultations held in connection with the present report, we were informed that a successor arrangement is being explored and some proposals are being developed to restore a mechanism for consultations between the United Nations system and AU. Such a step will fill a major void in this area.

92. Current efforts to improve and strengthen policy coherence and operational coordination both at the country level (through instruments such as the Millennium Development Goals and poverty reduction strategy papers) and regional level (through the regional consultation mechanism) are a welcome development. These efforts will need to be intensified both to alleviate the high cost of coordination imposed on African Governments and to increase the collective impact of the support provided by the United Nations system in Africa. In the course of the consultations held by the Panel, another perspective for a better coordinated United Nations system was heard: it is that a designated agency of the United Nations system, rather than individual donors, would be more acceptable as a natural and neutral coordinator of the efforts of the international community in regard to particular sectors of NEPAD, for example, in agriculture or infrastructure.

93. The United Nations system has learned many lessons from agency experience in supporting African development over the past two decades. These can and should be drawn upon in designing support for NEPAD. To better support African countries in implementing NEPAD, the following actions would help:

(a) The agencies and organizations of the United Nations system should work together to provide focused and coordinated support to NEPAD and to help African countries to mobilize significant financial resources for Africa's development, including those for NEPAD programmes and projects, at the national and regional levels;

(b) The United Nations system should support the efforts of Governments to improve the management and delivery of aid and the formulation and implementation of projects.

## C. Improving the monitoring of pledges and disbursements

94. Honouring the commitments made to Africa is crucial to the successful implementation of NEPAD. Conversely, the slow or delayed redemption of pledges can hinder the pace of implementation, distort the priorities of partner countries and lead to a loss of faith in international support. This need not happen. Renewed and increased support for Africa should be matched by a renewed effort to create an effective mechanism for the review and monitoring of commitments and disbursements to Africa. This would be more than a technical exercise of periodically publishing figures on aid commitments and disbursements, an exercise that many organizations, including the United Nations, already undertake.

95. Instead, this requires that, at the very least, there should be a process of consultation and dialogue for following up the commitments made. The process should be designed to satisfy three conditions. It should involve a partnership between AU and the United Nations to ensure regional legitimacy and international credibility. Persons selected to participate in the process should carry out their tasks partly as negotiators and as advocates for Africa's development. The process should

have the mandate to review and report on all aspects of international support for Africa.

## V. Summary of recommendations to the international community, including the United Nations system

96. The report of the Panel carries a two-fold central message: first, that NEPAD cannot succeed without a significant increase in international support; and second, that unleashing Africa's tremendous development potential requires harnessing the creativity and dynamism of private initiative in a range of areas, including agriculture, industry, science and technology, and infrastructural development. The Panel considers that strengthening private initiative in its widest sense is the key to Africa's economic transformation, and that an efficient, supportive and capable public sector is vital to achieving the aforementioned objectives.

97. The Panel has noted in the body of its report a number of areas that require policy action by the African countries. These relate, in the main, to the need for continuing improvement in the quality and processes of economic and political governance. The Panel considers that these are particularly critical. However, in line with its mandate, the Panel has listed hereunder a number of recommendations requiring priority action by the international community and the United Nations system.

### Aid

98. The Panel fully endorses the call for a substantial increase in aid levels (net of debt relief and humanitarian assistance), in accordance with the commitments made by the Group of Eight major industrialized countries in Monterrey, Mexico, and the pledge to channel at least one half of this increase to sub-Saharan Africa.

99. African countries which commit themselves to and are shown to have a good policy environment, in accordance with criteria adopted by NEPAD and agreed by the international community, should receive the levels of aid that they need to implement the investment programmes and projects agreed to in their poverty reduction strategy papers and supporting budgets, provided they meet the commitments that they make.

100. Aid must be provided on grant terms (or as loans with a grant equivalent substantially higher than 25 per cent) and must be predictable and untied so as to reduce dislocations in budget implementation and enhance value for money.

101. Aid must be provided on a multi-year basis and be sustained so as to encourage countries to make long-term expenditure commitments, in particular for the attainment of the internationally agreed development goals.

102. Aid donors must strive to improve the coherence of the objectives of their assistance in individual country-supported development plans and strategies, including the poverty reduction strategy papers, and harmonize better their administrative procedures.

103. In particular, donors must commit themselves to an accelerated, time-bound programme for implementing the commitments made in various declarations,

including the 2001 Recommendation on Untying Official Development Assistance to the Least Developed Countries, the 2003 Rome Declaration on Harmonization and the 2005 Paris Declaration on Aid Effectiveness, to improve the role and impact of aid.

## Debt relief

104. Criteria for debt relief should be focused on the effective utilization of the resources released for poverty reduction and growth. The appropriate amount of debt reduction should be measured against the explicit development objectives defined by the NEPAD process.

105. The Panel strongly supports the proposal that all debt should be cancelled, in any event for all low-income countries. The middle-income countries should receive substantial debt relief.

## Trade

106. The Panel recognizes the important role that the freeing of trade can play in African development. Such freeing of trade must be undertaken both by the African nations and by other nations.

107. The reduction of African trade barriers, which continue to be significant, will eliminate the incentive bias against exports; it will also enable the African nations to benefit from intra-developing country trade.

108. The reduction of the trade barriers that confront Africa is at least as important. However, the Panel warns that the structure of African trade must be kept in view. For instance, a reduction of agricultural subsidies in the European Union and the United States of America could harm, not help, the many African nations that are net importers, rather than exporters, of agricultural goods.

109. When resource reallocation is required to profit from trade liberalization, it is necessary to create institutions that will facilitate such reallocation. The private sector, the role of which is stressed in the present report, must be assisted through such measures as the provision of credit, the establishment of clear property rights and the provision of technical assistance, wherever necessary.

110. In addition, just as import liberalization is accompanied by the provision of adjustment assistance programmes in the developed countries, the Panel recommends putting in place forthwith similar programmes in Africa. The African nations need multilateral assistance for the design and financing of such adjustment assistance schemes.

111. While bilateral and subregional preferential trade agreements are increasing in number in Africa, the Panel considers the completion of the Doha Round of multilateral trade negotiations to be an important priority for the African nations and urges fulsome support for it by NEPAD.

112. To facilitate the completion of the Doha Round, the Panel considers that NEPAD can make a strong case for aid flows, both compensatory and short-term adjustment-oriented, to African countries seriously affected by the reduced value of their traditional preferences as MFN liberalization proceeds.

113. The Panel urges the international community to support the building of infrastructure in support of the NEPAD goal of enabling trade within Africa to grow to mutual advantage.

## Capital flows and remittances

114. Efforts should be made by developed countries to promote policy measures which will facilitate inward remittances and capital flows to Africa, by encouraging lowering of the fees charged by banks and, in the case of the former, by other intermediaries, and by promoting investment opportunities in Africa.

## Private sector development

115. To succeed in promoting private businesses in Africa, there is a pressing need for active support from multilateral institutions and developed countries. In particular, development agencies should strengthen their technical cooperation with NEPAD and individual countries by assisting them in the design of country-specific strategies for improving investment climates.

116. As a first step, multilateral development institutions should enhance their coordination in providing assistance and aim at increasing their efficiency, thereby reducing pressures on the administrative capacities of African Governments. In this respect, technical assistance funds could be channelled through a multilateral mechanism. Multilateral agencies could provide the technical and financial assistance required for setting up domestic investment promotion agencies. In this vein, the International Monetary Fund and World Bank should put greater emphasis on the role of the private sector within the poverty reduction strategy paper policy frameworks.

## Improving the quality and coordination of support provided by the United Nations system

117. The organizations and agencies of the United Nations system should make greater efforts to work together to provide focused and coordinated support to NEPAD and to help African countries to mobilize significant financial resources for Africa's development, including for NEPAD programmes and projects, at the national and regional levels. In addition, the United Nations system should support the efforts of Governments to improve the management and delivery of aid and the formulation and implementation of projects.

## Improving the monitoring of pledges and disbursements

118. A process of consultation and dialogue for following up the commitments made should be established. The process should involve a partnership between the African Union and the United Nations and have the mandate to follow up pledges and review and report on all aspects of international support for Africa.

*Notes*

[1] United Nations Millennium Project, *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals* (first published by Earthscan, London and Sterling, Virginia, United States of America, in January 2005). For the text of the report, see http://www.unmillenniumproject.org.

[2] United Kingdom of Great Britain and Northern Ireland, *Our Common Interest: Report of the Commission for Africa* (London, March 2005). For the text of the report, see http://www.commissionforafrica.org.

[3] See Tina Rosenberg, "Think again: AIDS", in *Foreign Policy*, March/April 2005, p. 23. See also *An Action Plan to Prevent Brain Drain: Building Equitable Health Systems in Africa. A White Paper by Physicians for Human Rights* (Boston, Mass., United States of America, June 2004).

[4] Rosenberg, loc. cit.

[5] Jagdish Bhagwati, "Development aid: getting it right" in *OECD Observer*, No. 249 (May 2005), pp. 27-29.

[6] Xaba J. and others, *The Informal Sector in Sub-Saharan Africa*, Working Paper on the Informal Economy (Geneva, International Labour Office, 2002), p. 3, citing M. A. Chen, 2001.

[7] International Monetary Fund and World Bank, *Heavily Indebted Poor Countries (HIPC) Initiative: Status of Implementation* (Washington, D.C., 20 August 2004), p. 7.

[8] United Nations Conference on Trade and Development (2004), *Economic Development in Africa; Debt Sustainability: Oasis or Mirage?* (United Nations publication, Sales No. E.OR.II.D.37), p. 10.

[9] Ibid., table 1.

[10] See Francis Ng and Alexander Yeats, "Open economies work better! Did Africa's protectionist policies cause its marginalization in world trade?" Working Paper No. 1636 (Washington, D.C., World Bank, International Trade Division, August 1996). The documentation of this and related phenomena can also be found in Economic Commission for Africa, *Economic Report on Africa 2004: Unlocking Africa's Trade Potential* (United Nations publication, Sales No. 04.II.K.12).

[11] Dani Rodrik has argued that the ratio of trade to the gross domestic product of African countries is commensurate with their per capita income levels and their populations. However, we have to confront the fact that this ratio has declined, whereas it has risen almost everywhere else. Did exogenous changes in income in Africa mainly drive the trade ratio when worldwide changes in trade regimes accompanied the striking change in trade ratios? Besides, cross-section regressions are fairly treacherous and can lead to misleading conclusions. See Dani Rodrik, "Trade policy and economic performance in sub-Saharan Africa" Working Paper No. 6562 (Cambridge, Mass., United States of America, National Bureau of Economic Research, 1998). See also V. N. Balasubramanyam, "Africa: trade performance, policies and prospects" (United Kingdom, University of Lancaster, 2002); paper commissioned by the African Development Bank.

[12] See Bhagwati, op. cit., for the early argumentation of this point for non-African countries, and Ng and Yeats, op. cit., for recent African evidence. See also Paul Collier, "The marginalization of Africa", in *International Labour Review*, vol. 134, No. 4-5 (July 1995), pp. 541-557. Collier, a renowned expert on African economics, was a principal consultant for the Commission for Africa of the United Kingdom.

[13] See Aditya Mattoo, Devesh Roy and Arvind Subramanyam, "The Africa Growth and Opportunity Act and its rules of origin: generosity undermined?", Policy Research Working Paper 2908 (Washington, D.C., World Bank, October 2002).

[14] Report by a group of experts appointed by the Director General of the World Trade Organization (WTO), released in Geneva on 18 January 2005. The group was chaired by Peter Sutherland, a former Director General of WTO and the General Agreement on Tariffs and Trade, its successor. Two of the members of that group are also members of the Secretary-General's Advisory Panel.

[15] Anne Harrison, "Working abroad: the benefits flowing from nationals working in other countries", paper presented to the Organization for Economic Cooperation and Development round-table meeting on sustainable development in November 2003 (updated in September 2004).

[16] For the only empirical effort to quantify the scale of informal remittances, some of them going to Africa, see Mohammed El Qorchi, Samuel Maimbo and John Wilson, "Informal funds transfer system: an analysis of the informal Hawala system", Occasional Paper No. 222 (Washington, D.C., International Monetary Fund, October 2003).

[17] Address by James D. Wolfensohn, President of the World Bank Group to the Boards of Governors of the World Bank Group and International Monetary Fund at their joint annual discussion, on 28 September 1999. Also, T. J. Moss and H. S. Chiang, "Issue paper on debt sustainability No. 3: the other costs of high debt in poor countries: growth, policy dynamics, and institutions", (Washington, D.C., Center for Global Development, August 2003), p. 11; available at http://www.cgdev.org/docs/Moss_Chiang.pdf.

[18] Organization for Economic Cooperation and Development, *Survey on Harmonisation and Alignment: Measuring Aid Harmonisation and Alignment in 14 Partner Countries*. Available at http://www.oecd.org/dataoecd/31/37/33981948.pdf.

# Annex I

## Members of the Panel

**Emeka Anyaoku** (Nigeria) is currently International President of the World Wide Fund for Nature International, Chairman of the Presidential Advisory Council on International Relations in Nigeria and Vice-Chairman of the Board of the South Centre in Geneva. He is the former Secretary-General of the Commonwealth and Minister of Foreign Affairs of Nigeria.

**Jagdish Bhagwati** (India) is Professor of Economics and Law at Columbia University and Senior Fellow at the Council on Foreign Relations. He has served as Economic Policy Adviser to Director-General, General Agreement on Tariffs and Trade, as Special Adviser to the United Nations on Globalization and as External Adviser to the World Trade Organization. Professor Bhagwati has been honoured with three festschrifts and has been awarded many honorary degrees and prizes. His latest book, *In Defense of Globalization* (Oxford University Press, 2004), has received worldwide acclaim.

**Kwesi Botchwey** (Ghana) is Founder and Executive Chairman of the African Development Policy Ownership Initiative. He is a former Minister of Finance for Ghana and was, for a number of years, Head of Africa Research and Programs at the Center for International Development, Harvard University. He also served as Chairman of the Panel that reviewed the experience of the United Nations New Agenda for the Development of Africa in the 1990s, and is currently Visiting Professor of International Development Economics at the Fletcher School at Tufts University.

**Michel Camdessus** (France)[a] is President of the Centre for International Prospective Studies, Special Representative of the President of France for Africa and Honorary Governor of Banque de France. He is a former Managing Director of the International Monetary Fund and has served as Chairman of the Paris Club and Chairman of the Monetary Committee of the European Economic Community.

**Fantu Cheru** (Ethiopia) teaches courses in African and development studies at American University, Washington, D.C., and is currently serving as Convenor of the Global Economic Agenda Track of the Helsinki Process on Globalization and Democracy.

**Ricardo Hausmann** (Venezuela) is currently Professor of the Practice of Economic Development at the Kennedy School of Government, Harvard University.

**Richard Jolly** (United Kingdom of Great Britain and Northern Ireland) is a Research Associate at the Institute of Development Studies in the United Kingdom and Senior Research Fellow at The Graduate Center, The City University of New York, where he is co-director of the United Nations Intellectual History Project.

**Anne Kristin Sydnes** (Norway) is currently Senior Adviser at the United Nations Development Programme. She has served as Minister of Development Cooperation of Norway, and has a background in research and the private sector. She was a research fellow and deputy director of the Fridtjof Nansen Institute where she also worked for the two Nordic United Nations reform projects, and she has

[a] Unable to participate in the two formal meetings of the Panel held in New York.

been a director and senior adviser on corporate social responsibility issues for the Norwegian petroleum company Statoil.

**Carol Lancaster** (United States of America) is a Professor at Georgetown University, Washington, D.C., and Visiting Fellow at the Center for Global Development. She has been Deputy Administrator of the United States Agency for International Development, Deputy Assistant Secretary of State for Africa and has served in a number of other governmental positions.

**Masaki Miyaji** (Japan) is Corporate Advisor of Mitsubishi Corporation. He has also served in various capacities within Mitsubishi Corporation, including two assignments in South Africa, the second as General Manager of the Johannesburg Branch. In addition, he is a member of the Presidential International Investor's Council of South Africa and Presidential Investors' Round Table, United Republic of Tanzania. He was recently appointed a member of the Presidential Advisory Panel for Foreign Investment, Nigeria and Ghana.

**Julienne Ngo Som** (Cameroon) is a Chief Research Officer and currently occupies the post of Director of Scientific Information and Technological Development at the Ministry of Scientific and Technical Research in Cameroon. She is a former Minister of Social Affairs and Women Issues in Cameroon.

**Cyril Ramaphosa** (South Africa) is the Executive Chairman of Millennium Consolidated Investment. He is a non-executive chairman of Johnnic Holdings, MTN Group Limited and the South African Special Risks Insurance Association (SASRIA).

**Ismail Serageldin** (Egypt) is Director, Library of Alexandria, and Distinguished Professor at Wageningen University, Netherlands. He serves as chair and member of a number of advisory committees for academic, research, scientific and international institutions and civil society efforts which include the Institut d'Egypte (Egyptian Academy of Science), the Third World Academy of Sciences, the Indian National Academy of Agricultural Sciences and the European Academy of Sciences and Arts.

# Annex II
## Meetings and consultations held by the Panel

| *Date and location of meeting* | *Meetings held with* | *Panel members present* |
|---|---|---|
| 20 October 2004<br>New York | **Italy**<br>Alberto Michelini<br>Personal Representative for Africa of the Prime Minister | All |
| 21 October 2004<br>New York | **United Kingdom of Great Britain and Northern Ireland**<br>Graham Stegmann<br>Director for Africa, International and Policy Department for International Development | All |
| 21 October 2004<br>New York | **Japan**<br>Toshiro Ozawa<br>Ambassador, Permanent Mission of Japan to the United Nations | All |
| 21 October 2004<br>New York | **Denmark**<br>Lars Faaborg-Andersen<br>Ambassador, Deputy Permanent Representative to the United Nations | All |
| 21 October 2004<br>New York | **Netherlands**<br>Dirk Jan van den Berg<br>Ambassador Extraordinary and Plenipotentiary, Permanent Representative to the United Nations | All |
| 21 October 2004<br>New York | **Norway**<br>Johan L. Løvald<br>Ambassador Extraordinary and Plenipotentiary, Permanent Representative to the United Nations | All |
| 21 October 2004<br>New York | **Sweden**<br>Ulla Ström<br>Ambassador, Deputy Permanent Representative to the United Nations | All |
| 21 October 2004<br>New York | **Russian Federation**<br>Nikolay Chulkov<br>Envoy Extraordinary and Minister Plenipotentiary, Deputy Permanent Representative to the United Nations | All |
| 21 October 2004<br>New York | **Global Coalition for Africa**<br>Hage Geingob<br>Executive Secretary | All |
| 21 October 2004<br>New York | **Ireland**<br>Colin Wrafter<br>Counsellor, Permanent Mission of Ireland to the United Nations | All |

| *Date and location of meeting* | *Meetings held with* | *Panel members present* |
|---|---|---|
| 21 October 2004<br>New York | **Portugal**<br>Gonçalo Aires de Santa Clara Gomes<br>Ambassador Extraordinary and Plenipotentiary, Permanent Representative to the United Nations | All |
| 22 October 2004<br>New York | **Canada**<br>Ellen Wright<br>Manager, Governance, Security and Communications Unit, Canada Fund for Africa Secretariat, Canadian International Development Agency | All |
| 22 October 2004<br>New York | **Finland**<br>Sirpa Mäenpää<br>Counsellor and Regional Manager, Department for Africa and the Middle East | All |
| 22 October 2004<br>New York | **France**<br>Jean-Marc de La Sablière<br>Ambassador Extraordinary and Plenipotentiary, Permanent Representative to the United Nations | All |
| 31 January 2005<br>Abuja | **President of Nigeria and Chairman of the Heads of State and Government Implementation Committee of the New Partnership for Africa's Development (NEPAD)**<br>Olusegun Obasanjo | Emeka Anyaoku |
| 16 to 18 February 2005<br>London | **Commission for Africa**<br>Myles Wickstead<br>Head of the Secretariat | Emeka Anyaoku<br>Richard Jolly |
| 16 to 18 February 2005<br>London | **Department for International Development, United Kingdom**<br>Dave Fish<br>Africa Director | Emeka Anyaoku<br>Richard Jolly |
| 16 to 18 February 2005<br>London | **HM Treasury, United Kingdom**<br>Nicholas Stern<br>Permanent Secretary | Emeka Anyaoku<br>Richard Jolly |
| 1 to 3 March 2005<br>South Africa | **NEPAD Secretariat**<br>Wiseman Nkuhlu<br>Chief Executive<br>Ngwako Monakhisi<br>International Liaison and Coordination | Julienne Ngo Som<br>Masaki Miyaji |
| 1 to 3 March 2005<br>South Africa | **NEPAD Steering Committee**<br>Tunji Olagunju<br>Chairman | Julienne Ngo Som |
| 31 March 2005<br>Washington, D.C. | **Assistant Secretary of State for African Affairs, United States of America** | Kwesi Botchwey<br>Fantu Cheru |

| *Date and location of meeting* | *Meetings held with* | *Panel members present* |
|---|---|---|
| | Constance Newman | |
| 31 March 2005<br>Washington, D.C. | **Office of Regional and Security Affairs, Bureau of African Affairs, United States Department of State**<br>Donald Heflin<br>Deputy Director | Kwesi Botchwey<br>Fantu Cheru |
| 18 April 2005<br>New York | **United Nations Task Force on Africa**<br>Department for Disarmament Affairs, Department of Economic and Social Affairs, Department of Political Affairs, Department of Peacekeeping Operations, Office of the Special Adviser on Africa, United Nations Children’s Fund | Anne Kristin Sydnes |