THE NEW PARTNERSHIP FOR AFRICA'S DEVELOPMENT (NEPAD): Making a Difference

Keynote address to the African Development Bank Symposium

by
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Your Excellency Prime Minister Meles Zenawi,
Secretary-General Amara Essy,
President Omar Kabbaj,
Honourable Ministers,
Distinguished Guests,
Ladies and Gentlemen,

I want first to warmly welcome you to Addis Ababa. As you all know, the Economic Commission for Africa (ECA) has been a supporter and partner of the African Development Bank (ADB) since its creation, and we are honored that our United Nations Conference Centre has been chosen to host such a prestigious and important meeting.

I, personally, am also honored by the opportunity President Kabbaj has granted me in addressing this opening session of the ADB Annual Symposium. The symposium's focus on the steps needed to realize the objectives of the New Partnership for Africa's Development (NEPAD) is highly relevant for current developments.

Gathered here today are the people who can make the New Partnership work. We have ministers of finance, governors of central banks, senior officials from development agencies, all of us interested in the future of African development. That is why I want to use this opportunity to speak candidly about what I believe is needed to the make the New Partnership work. I will also share with you some analytical work that we at ECA have undertaken to advance the partnership. I will end with our views on how best to operationalize the principle of mutual accountability that underlines the New Partnership.

Your Excellencies,

Ladies and Gentlemen,

The NEPAD is a significant advance in development thinking for Africa. Why? Because it provides leadership, because that leadership assures ownership, and because that ownership changes the rules for partnerships outside Africa. Since these three key features-leadership, ownership, and partnership-have already been discussed in great detail by Presidents Obasanjo, Wade, Mbeki and others, I will not attempt to reiterate what they have said so eloquently.

Instead, in the spirit of promoting a new way of doing business, let me highlight five areas where enhanced action is crucial to making the New Partnership operational:

- Formulating country-owned poverty reduction strategies;
- Strengthening planning and monitoring of expenditures;
- Improving the effectiveness of aid;
- Committing to peer reviews and self monitoring, and
- Mobilizing financial resources.

For each area, I will touch on the challenges and propose what we might do differently.

I would like to begin with the challenge of formulating country-owned poverty reduction strategies.

Most low-income African countries are articulating medium-term economic strategies to reduce poverty through an participatory processes. Much of this has taken the form of the Poverty Reduction Strategy papers (PRSP), which has opened up the space for greater national ownership and a deeper poverty focus. There has been some positive momentum in this area. But concerns have been raised across the board that the strategies are not always integrated with national visions and processes, but instead are donor-driven. Nor is it always clear that the PRSPs are underpinned by comprehensive growth strategies. And there are questions about the legitimacy and depth of the consultation process.

Systematic information sharing and peer learning among African countries is a pre-requisite to addressing these outstanding challenges. One initiative proving useful in this direction is the African Learning Group on the PRSPs, convened by ECA and endorsed by NEPAD. This forum brings together senior African policymakers and experts for candid discussions on the African experience with PRSPs. It identifies best practices, flags institutional and capacity constraints, and recommends remedial actions. It also proposes actions to be taken by Africans and donors alike to ensure that the full potential of the PRSP process in addressing Africa's development challenges is tapped.

Second is planning and monitoring public expenditures.

As you know, African public expenditure management systems have weaknesses stemming mainly from budget preparation and budget execution. A number of countries undertake spending without budget authority. Commitments are made but funds are not available for payment. Accounting ledgers and reports are not always maintained. And there are rather long delays in auditing and preparing the annual accounts of government. These weaknesses, in turn, have led to poor budget performance, and even planned deficits have been significantly exceeded.

If African governments are to achieve their poverty reduction goals, they will have to integrate their poverty reduction strategies with the domestic budget and financial management systems. And they will have to be transparent, efficient, and accountable in the use of public resources. To move to sound public expenditure management systems, they need to put strong institutional arrangements in place. What should these arrangements include? Many things:

- A clear legislative basis for budgeting with rules that can be adhered to;
- A sustainable macroeconomic and medium-term budget framework;
- A comprehensive budget that precludes extrabudgetary activity;
- An effective accounting system that produces timely and quality fiscal reports;
- Audit arrangements to ensure compliance with financial regulations and effective accountability by ministries and agencies;
- Participatory methods in budget preparation, execution, and reporting to allow for independent assessments of process integrity.

Just as country ownership of poverty reduction strategies is meaningless without capacity, so is having institutional arrangements without the capacity to implement them. That is why capacity-and capacity development-will determine the pace of moving forward.

I would therefore like to comment highly the government of Ethiopia for its comprehensive and innovative approach to capacity development, which could provide useful lessons for the rest of Africa.

Let me now turn to improving aid effectiveness

The record shows that donor assistance has had mixed results. In some basic respects, the aid delivery system has been dysfunctional, due to weak state capacity and a complex multi-donor aid community. This has often resulted in a high proportion of public spending being funded by a large set of external actors, with much expenditure not recorded in national budgets. I am sure many of you have directly experienced the proliferation of uncoordinated visits by aid management missions, parallel implementation arrangements, multiple external conditionalities, and a multiplicity of monitoring and reporting requirements. All this has generated a tremendous overload on administrative capacity and tied up a significant portion of the public service capacity in African countries, at high transaction costs.

Under the New Partnership, that has to change. For development aid to be more effective, Africa's partners need to do the following:

- Focus development assistance programmes around national priorities and strategies;
- Use existing national systems and processes-and where these are weak, make efforts to strengthen capacity, rather than undermine them by insisting on parallel arrangements;
- Where the conditions exist, channel assistance through the national budgets of African countries;
- Harmonize aid practices to decisively reduce the burden of aid management.

Donors will also need to reorient their approach to make sure that overall assistance matches country needs and capacities. African countries cover a wide spectrum in the comprehensiveness of their national development strategies, the quality of their governance, and the capacity of their institutions. As such, the development assistance mix will have to depend very much on each country's circumstances. In addition to engaging the good performers-which we believe should clearly attract additional aid and budget support-development assistance should engage countries facing severe policy and capacity constraints, as well as those emerging from conflict.

Next, I would like to discuss moving toward peer review and self-monitoring.

Through NEPAD, African leaders have affirmed that they have a key role in ensuring capable and effective states. A capable state is one in which peace and security is assured for all citizens. It is a state in which the public service, the legislature, the judiciary and statutory bodies are empowered to provide an enabling environment for the private sector and civil society. These institutions of governance, coupled with visionary political leadership, are critical to economic sustainability and poverty reduction.

To make this vision a reality, we need to put in place concrete mechanisms for peer reviews as an essential step towards self-monitoring on the continent. We need to do these things to enhance our partnership with the international community. But more important, we need to do them for ourselves. The African Peer Review Mechanism mandated by the NEPAD Heads of State Implementation Committee is a key feature of this New Partnership. It will promote mutual learning towards enhanced ownership. It will monitor progress toward agreed goals, codes, and standards. It will identify, evaluate, and disseminate good practices. And it will identify capacity gaps and recommend approaches to address those gaps.

We at ECA have been closely involved in providing technical support to NEPAD in conceptualizing the African Peer Review process. The declaration on codes and standards for economic and corporate governance adopted by the NEPAD Heads of State Implementation Committee at its last meeting in Abuja, based on inputs from ECA, will support peer review in the areas specified. The ongoing ECA project on measuring and monitoring progress towards good governance, which we are implementing in several African countries with national research institutes, will also provide a broad picture of the governance environment in each country, spotlighting institutional effectiveness, political representation, and economic management.

That brings us to mobilizing financial resources.

As I have emphasized, we Africans are responsible for ensuring that this continent truly fulfills its promise. A look at current financing within the context of the Millennium Development Goals clearly exposes the scope of Africa's needs. Overall aid to Africa has declined from $19 billion a year at the beginning of the 1990s to $12 billion today, a per capita drop of 40 percent. With this decline still in mind, consider the widely acknowledged estimate that African economies need to sustain annual growth rates of 7 percent or more to meet the poverty reduction targets under the MDGs and lift millions of people out of poverty.

Ultimately, we need to drastically reduce aid dependence and look to resources closer to home to finance our development. As in the rest of the world, private sector development, with growing involvement in dynamic global trade and flows of foreign direct investment, will be the main driver of higher growth and employment generation.

For the foreseeable future, however, Africa will need aid. Together, pledges from the United States and the European Union made at the UN Financing for Development Conference at Monterrey will, from 2006, raise $12 billion a year more for education, health and anti-poverty programmes. We sincerely hope that Africa will be a major beneficiary. That said, the collective outcomes of Monterrey provides less than one-fourth of the estimated extra $50 billion a year estimated to meet the MDGs world-wide.

Aid is only part of the story. We need to develop a more integrated approach to the associated financing requirements, including debt and trade. On trade, we need to establish a global system that provides developing countries with the required support to harness trade towards meeting the MDGs. On debt, we need the political will to catalyze a robust exit from unsustainable debt, including the thorny question of multilateral debt. On a number of occasions, I have stressed that if we want to make a bigger dent in Africa's debt, we need to at the outset review the debt sustainability analysis under the current framework for Heavily Indebted Poor Countries, or HIPCs. And as Chancellor Gordon Brown recently stated, it is right to examine the practicalities of the many proposals that have been made in recent months for new and innovative ways to meet the funding gap - Tobin tax, Arms tax, Special Drawing Rights.

Excellencies,

Ladies and Gentlemen,

For many critical areas it is clear that we will need to fund regional and subregional programmes. For infrastructure. For HIV-AIDS. For reestablishing centers of excellence in higher education. But it is also clear, in mobilizing financing under NEPAD, that much will hinge on national programmes, hence my earlier attention to country-owned strategies, to public expenditure management systems, and to matching donor assistance with each country's circumstances.

What's new in all this is that we are making good progress toward establishing mechanisms for mutual accountability, to keep African countries and their partners both honest. For NEPAD to make a real difference in Africa's development, the relationship between African governments and their external partners needs to be transformed into a partnership predicated on mutually accepting various areas of commitment and establishing a process for monitoring the way these commitments are discharged. In short, it calls for mutual accountability.

On the African side there must be a commitment to establishing and maintaining peace and security, macro-economic fundamentals, accountable and transparent public finance systems, and the creation of an enabling environment for the private sector to flourish. Our external partners meanwhile are called on to increase the quantity and improve the quality of their development assistance.

Our international partners must also ensure that all policies affecting African development prospects-in aid, market access, and debt-are coherent with the Millennium Development Goals. Under true mutual accountability, the EU's "Everything but Arms" initiative, for example, should not be allowed to turn into "Everything But Farms", with continued high subsidies for the EU agricultural sector. The recent move by the United States to increase farming subsidies in selected states by as much as 80 percent is another perfect example of how not to proceed.

The new partnerships based on mutual accountability can work only if we have mechanisms for an enhanced interface at different levels between Africa and its partners to ensure effective monitoring of adherence to agreed commitments. Existing mechanisms can be strengthened to serve the dialogue and monitoring requirements of the New Partnership. Alongside these initiatives, NEPAD proposes an African ODA Forum for high-level exchanges with the Development Assistance Committee of the OECD.

In our role as an interlocutor between Africa and its development partners, we at ECA have two initiatives to promote mutual learning and exchange. First, as I have already mentioned, the annual ECA African Learning Group on the PRSPs facilitates information sharing among African countries on their experience with Poverty Reduction Strategies, identifies best practices and implementation challenges, and promotes peer learning. It is convened back-to-back with meetings of the technical group of the Strategic Partnership with Africa (SPA). Second, our annual "Big Table" meeting brings together several African Finance and Planning Ministers with DAC Aid Ministers and Agency Heads and senior officials from the World Bank, IMF, ADB, EU and UNDP.

As part of our role as interlocutor and at the request of the G8, we at ECA have recently prepared a joint paper, together with the OECD, on how mutual accountability can be monitored both at the country and Africa-wide levels.

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The ideas that I have presented are practical steps to realize a key objective of NEPAD: *to transform the partnership between Africa and its international partners in order to achieve the Millennium Development Goals and improve the lives of millions on the continent.*

The Economic Commission for Africa fully endorses the new development paradigm and the new partnership for Africa's development. We are throwing the full weight of our relationships with African countries, with all parts of the UN System, and with all donors, bilateral and multilateral, behind Africa's renewal. We are advocating on behalf of Africa in all development forums. And we are providing our knowledge and consulting services to help build sustained capacity in all African countries.

I therefore look forward to collaborating closely with you to operationalize the New Partnership for Africa's Development, so that this continent may soon begin to truly fulfill its great promise.

Thank you.
