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# Development and the Challenge of Poverty:
## NEPAD, Post-Washington Consensus and Beyond

The New Partnership for Africa's Development (NEPAD) has been promoted as an internally driven and a new strategic framework for re-engineering Africa's development. This Briefing Paper argues that NEPAD is donor-focused and rooted in the neo-liberal macro-economic discourse of the post-Washington Consensus. The three core mechanisms outlined in NEPAD: 'sound' macro-economic policy and stability; greater openness of the African economies; and "good governance" are at the core agenda of the post-Washington Consensus.

In the area of how development programming addresses the challenge of poverty, we encounter NEPAD's disappointing inability to transcend the discourse of the Bretton Woods Institutions (BWIs). The assumption that growth delivers on poverty reduction is, often, overstated. While growth is necessary for poverty reduction, two questions arise. First, are the policies of the Washington Consensus good for growth? Second, are they poverty-reducing and, indeed, can they be? The evidence, the paper argues, is that this is not the case, nor is it likely to be. The "equity-growth" trade-off continues to dominate the policy discourse of the BWIs. Further, NEPAD suggests the adoption of existing policies of the BWIs without an awareness of the crisis confronting these instruments. A review of evidence from these policies shows that: (a) anti-poverty measures continue to be treated as residuals of 'sound' macro-economic policies; (b) there is considerable dis-juncture between macro-economic policies and the stated objective of poverty reduction; and (c) the macro-economic policies are imminently deflationary, create instability, exacerbate inequality, and undermine commitment to inclusive social policies.

*The paper concludes by arguing the need to transcend current discourse and practice embedded in NEPAD and the BWIs.*

### Introduction

The 2000-2001 World Development Report on global poverty put the total number of people in Sub-Saharan Africa (SSA) living below the World Bank $1 per day norm for defining the core poor at 290.9 million in 1998 (World Bank 2001a, p.23). Measured against the 1987 figure, 73.7 million more people in the region dropped below this poverty line in the eleven years between 1987 and 1998. A greater proportion of the people in SSA were living in poverty than anywhere else in the world: 47.7 percent and 46.3 percent in 1987 and 1998, respectively (World Bank 2001a).

In its opening eight paragraphs, the New Partnership for Africa's Development (NEPAD) outlined the crisis of sustainable growth, poverty and social exclusion in Africa, as well as the increasing marginalisation of the continent in the global market place. As an agenda for the rejuvenation of SSA, the NEPAD would, ordinarily, represent a major initiative on the part of the African Heads of State and the governments. However, the NEPAD document contains several weaknesses and problems.

This Policy Brief looks at the analysis of the "African condition", as outlined in the NEPAD document, and examine its core policy options for development and poverty reduction. While the sponsors of NEPAD promote it as having poverty eradication as a core issue, there is very little reference of it in both the NEPAD main document and associated documents on the policies dealing with the crisis. None of the six Task Teams established under the NEPAD framework is concerned with poverty reduction specifically or the subject of human resource development, under which NEPAD addresses the issue of poverty reduction.

The authors of the NEPAD, it would seem, take the neo-liberal perspective of treating social development concerns as residuals of economic growth. Where it addresses the strategy for poverty reduction, the NEPAD took the existing policy strategies of the Bretton Woods Institutions (BWIs), as its organising framework. It is in the combined reading of the economic policy orientation and poverty reduction strategies that this paper argues that the NEPAD represents a major misreading of the African experience of neo-liberal policy instruments deployed over the last two decades in Africa and the "rediscovery of poverty" (Mkandawire 2001) by the BWIs. The misreading of Africa's late 20th century experience, the paper argues, is predicated on an 'ahistorical' reading of Africa's development experience in the four decades since 1960. Against the picture of an unremitting development failure that the NEPAD suggests, the paper argues for a more dis-aggregated reading of Africa's post-colonial development experience.

This Policy Brief examines the close alignment of the NEPAD and the BWIs discourse, the neo-liberal development direction in SSA and the implementation of the Bank's Comprehensive Development Framework (especially the Poverty Reduction Strategy Paper) and the International Monetary Fund's (IMF's) Poverty Reduction and Growth Facility as mechanisms for poverty reduction. The evidence, the paper argues, does not support the unqualified support that the African authors of the NEPAD gave these policy instruments.

Finally, this Brief also tries to map out the challenge of poverty to Africa's development beyond the post-Washington consensus of the BWIs and argues that the critical challenge for Africa in addressing the crisis of poverty is in confronting the problems of global equity and an equitable and socially inclusive development framework at the national and continental levels.

## NEPAD: Discourse and Reading of the Crisis

The New African Initiative emerged as the New Partnership for Africa's Development (NEPAD) at the 23rd October 2001 meeting of the Heads of State Implementation Committee (HSIC) in Abuja, Nigeria. For the Continent to walk towards the vision and actualise the goals described in Box 1 below, NEPAD's sectoral priorities are defined as bridging the infrastructure gap, human resource development initiative, agriculture, the environment initiative, culture and science and technology platforms. What is unique about the NEPAD is the macro-economic objective – an attempt to take ownership of policy instruments that the BWIs and the G8 countries had contentiously imposed on most African countries since the 1980s. This becomes obvious when one considers the discourse and policy orientation that defines the NEPAD.

The NEPAD document locates itself within a broad international development debate, while emphasising local ownership as an African-driven and Africa-focused initiative. NEPAD proceeds on a claim of global consensus in the wake of several multilateral initiatives, such as the UN's New Agenda for the Development of Africa, The Copenhagen Declaration on Social Development, the World Bank-led Strategic Partnership for Africa, the IMF-led Poverty Reduction Strategy Papers and bilateral efforts, such as the Tokyo Agenda for Action, and the United State's African Growth Initiative. However, in the matter of both the targets and the mechanisms for achieving the goals, NEPAD differs, fundamentally, from the Millennium Development Goals (MDGs).

For instance – and this not a minor area of difference – where the UN's MDGs set the goal of debt cancellation, the NEPAD argued for "accelerated debt reduction for heavily indebted African countries" and "improved debt relief strategies for the middle-income countries" (NEPAD 2001, para. 185). More importantly, for our discussion of development and the challenge of poverty, the NEPAD proceeds on the basis that Africa needs "to develop the capacity to sustain growth at levels required to achieve poverty reduction and sustainable development" (para. 64). The programme recognises that growth, by itself, does not reduce poverty, but poverty reduction results from sustained growth levels. Sustainable development, the document notes, is dependent on the "infrastructure, capital accumulation, human capital, institutions, structural diversification, competitiveness, health, and good stewardship of the environment" (para. 64).

Poverty reduction is presented in the NEPAD as a core policy concern. However, the NEPAD takes sustained economic growth as precedent to targeted anti-poverty measures, which is itself within the framework of existing BWIs initiatives. The NEPAD calls on member countries to:

> "Work with the World Bank, the International Monetary Fund (IMF), the African Development Bank and the United Nations (UN) agencies to accelerate the implementation and adoption of the Comprehensive Development Framework, the Poverty Reduction Strategy and related approaches" (Para. 116).

While the NEPAD's sponsors argue that it is not about going to the industrial countries of the Organisation for Economic Cooperation and Development (OECD) with a begging bowl, it calls for an increase in development aid to 0.7 per cent of the gross national product of each developed country. The "increased aid flow" would be disbursed to "complement funds released by debt reduction [not cancellation] for accelerated fight against poverty" (Para. 185). While the NEPAD recognises the problem of market access to products of African countries and seeks the "negotiation of more equitable terms of trade for African countries within the WTO," still it suggests bilateral initiatives for addressing the problem of trade access. These are positions that are far weaker than what the UN agencies, such as the UNCTAD or the Economic and Social Council are advocating, but within the current thinking at the BWIs.

While the idea of some kind of partnership with Africa is not a new one in either the World Bank or the United Nations, it is the BWIs' reading that defines NEPAD's discourse and policy focus. It is within this context that we talk of the post-Washington Consensus. What is referred to here as the post-Washington Consensus relates to the evolving narratives and discourse of the BWIs which emerged in the late 1990s over the approach to policy conditionalities attached to debt negotiation and access to BWIs' facilities. Orthodox adjustment had very little to say about democracy, good governance, institutions, social consequences of neo-liberal policy instruments being implemented, and so on. Orthodox neo-liberal agenda was concerned with stabilisation and extensive deployment of market (liberalisation) and the retraction of the State. The Bank defined the crisis of governance as being at the heart of Africa's development crisis (Olukoshi 1998).

Both in its linkage to the choice of economic policies for redeeming Africa and its reading of the post-colonial African experience, the discourse of the NEPAD owes a lot to this branch of the governance

### Box 1: NEPAD's Vision, Goals and Objectives

***The Vision***

- *Future resource mobilisation covering capital inflows and market access for the Continent's exports.*

***Goals***

- *Promotion of accelerated growth and sustainable development;*
- *Poverty eradication;*
- *Ending Africa's marginalisation, in the context of globalisation;*
- *Bridging the infrastructure gap;*
- *Human resource development initiative;*
- *Growth of agriculture sector;*
- *Cultural development; and*
- *Promotion of Science and technology.*

***Objectives***

- *African ownership, responsibility and leadership;*
- *Making Africa attractive to both domestic and foreign investors;*
- *Exploiting the vast economic potential of the continent;*
- *Achieving and sustaining an annual GDP growth rate of 7 percent for the next 15 years;*
- *Ensuring that Africa achieves the International Development Goals (IDGs);*
- *Investing in human development;*
- *Promoting the role of women in all activities;*
- *Promoting regional and sub-regional economic integration;*
- *Developing new partnership with the industrial world and multilateral agencies;*
- *Strengthening the capacity to lead negotiation on behalf of the continent at different development forums that require Continent-wide coordination;*
- *Ensuring capacity for accelerated implementation of co-operation agreement and approved projects; and*
- *Strengthening Africa's capacity to mobilise external resources.*

debate in Africa. Good governance, while seemingly focused on empowering the civil society, was defined by the agenda of restructuring the African State to becoming a vehicle for neo-liberal economic restructuring. "Good governance" is defined by the provision of a stable environment for private capital, ensuring the sanctity of contracts, and that expropriation would not happen (Adesina 2002). The guarantee of independence for central bankers meant monetary policies could be made without the policy-makers worrying about being politically accountable. Indeed, the arguments for the so-called independence of central bankers and transfer of monetary policies to central bankers was precisely to shield macro-economic policies from the accountability criterion to which politicians are subject in a democracy (Berger *et al* 2002). Central bankers could act in the interest of capital without bothering with the problem of a backlash from an electorate that may feel short-changed.

What separates the orthodox Washington Consensus from what we call the "post-Washington Consensus" is the shift from an earlier position that "obviated the need for comprehensive social policies to accompany the growth process" (Mkandawire and Rodriguez 2000, p.19). The re-discovery of poverty and the "two-sidedness" of development involved renewed attachment of conditionalities to accessing the Bank and IMF facilities – social conditionality is added to political conditionality.

It is to this emerging "post-Washington Consensus" of apparently comprehensive understanding of development that the NEPAD owes its language, assumptions and orientation. Both look to the private sector as the engine of growth and seek to provide the market-friendly institutional and "sound macro-economic" framework for such development path.

NEPAD's reading of Africa's economic and social post-colonial experience replicates the evolving discourse of the BWIs outlined above. The effect is that it allowed little or no dis-aggregation of phases and factors accounting for the current crisis, which is the immediate concern of those who authored the NEPAD document. A more dis-aggregated understanding of the African experience would have focused attention on a different set of problems and policy options for addressing them.

## NEPAD: A Close Look

What came through in the NEPAD's reading of the post-colonial experience is an unremitting picture of "poverty and backwardness" (para. 2). While colonialism failed to produce entrepreneurial, professional and middle classes (para. 21), many African Governments did not help matters because they "did not empower their peoples to embark on development initiatives to realise their creative potential" (para. 23). "Poor leadership, corruption and bad governance" were pervasive forces further undermining weak states and dysfunctional economies inherited from colonialism. The post-colonial "rate of accumulation" was too low to rebuild societies after the damage done by colonialism (para. 25). All told, Africa, since its post-colonial emergence, was caught in a "vicious cycle, in which economic decline, reduced capacity and poor governance reinforce each other" (para. 26).

Neo-liberal reforms of the 1980s were credited with removing "serious price distortions, but gave inadequate attention to the provision of social services"; the latter was responsible for the failure of these countries to "achieve sustainable higher growth under these programmes" (para. 24). The assumption by the authors of the NEPAD that structural adjustment was a development programme is quite intriguing. So is the idea that the missing link in Africa achieving sustainable growth was adequate provisioning of social services. The one-sided reading of the post-colonial experience reproduced the neo-liberal reading of Africa.

Africa's development and social policy (poverty reduction, human capability enhancement) is, in fact, more differentiated than the NEPAD allows for. As noted earlier, we address this briefly because it has implications for how we assess the viability of the macro-economic policies preferred by the authors of the NEPAD and the BWIs' poverty reduction mechanism that it favours. In borrowing from the analysis of the African State that was inspired by the Public Choice School (PCS), the NEPAD falls into the same trap as the School. For instance, it is ludicrous to assume, at an analytical level, a total bankruptcy of capacity of African states to be developmental – however vaguely defined – and yet, at the prescriptive level, to insist that the same states

## Box 2: SSA's Terms of Trade Losses

*Africa continues to experience severe deterioration in terms of trade. "Between 1970 and 1997, cumulative terms of trade losses for non-oil exporting countries in SSA amounted to 119 per cent of the regional GDP in 1997 and 51 and 68 per cent of the cumulative net resource flows and net resource transfers to the region, respectively" (UNCTAD 2001, pp.35-36). Table 1 suggests, for every US$1 net capital inflow, SSA loses 25c to net interest payment and profit remittances.*

**Table 1: Breakdown of SSA Net Resource Flow**

| *For every US$1 net capital inflow* | |
|---|---|
| *Net interest payment & profit remittances abroad* | *25c* |
| *Capital outflow and reserve build-up* | *30c* |
| *Terms of Trade Losses* | *51c* |
| *Net Resource Flow* | *-6c* |

Source: *UNCTAD 2001, p.36*

*Terms of trade losses alone account for 51c. The effect is a net resource outflow from the continent. The paradox is that the terms of trade losses is direct result of trade polices pursued by the same OECD countries that form the creditors cartel to which SSA 'owes' US$206.1 billion in 2000. In 1997, the estimated cost of the agricultural subsidies in the OECD countries was US$470 billion or US$1.287 billion a day. Some of the already weak and insufficient provisions on special differential treatment" that some of the African countries enjoyed under the Lome and generalised system of preference "have been eliminated… by the conditionalities imposed by Bretton Woods Institutions and creditors" (UNCTAD 2001, p.42). The elimination of the agricultural protection in the OECD countries would have meant an estimated gain for the SSA economies of US$6 per capita or US$3, 857.4 million, using the 1999 population figures.*

have to re-engineer Africa's development. This is what Mkandawire (2001, p. 289) calls "the pessimism of the diagnosis and the optimism of the prescription."

Further, as Mkandawire (2001, p. 303) notes, "despite the many distortions of import substitution, until the second 'oil' crisis, many African economies had performed relatively well." Compared to the period under neo-liberal adjustment, when an average annual growth rate of 6 percent is considered a target, Mkandawire notes that, if we were to take this as a measure of successful growth rate, 10 of the top 27 best-performers in the 1967 to 1980 period were sub-Saharan African countries. This ranged from Botswana, which topped the global league with an average growth rate of 14 percent during the period, followed by Singapore at 10 percent. Kenya, Cotê d'Ivoire and Seychelles had an annual average growth rate of seven percent, while Congo Republic, Rwanda and Nigeria had a growth rate of six percent. A review of the social development performance in several sub-Saharan African countries also shows that the claim of unremitting development failure in the NEPAD is erroneous. Between 1960 and 1982, there were clear improvements across a range of social development indicators. This is from life expectancy at birth to adult literacy, infant mortality rate or primary school enrolment.

### Africa's Deepening Crisis of Development and Poverty: The Neo-liberal Encounter

Africa's first twenty years of post-colonial growth and social development were an unqualified success. The vulnerability of many of the economies to external shocks, the severity of the balance of payment and current account crisis in the early 1980s in many African countries indicate problems that are fundamental. The nature of the crisis and the solution were, we will argue, grossly misjudged by the neo-liberal orthodoxy. While it is difficult for the BWIs to own up now, many of the African countries implemented development policies that were dominant within the Bank at the time. Further, the shift from a private sector-led economic growth strategy to a state-led one was, for many African countries, not an ideological issue. In Nigeria, the shift to a state-led industrialisation strategy in the 2nd National Development Plan followed extremely disappointing private sector response to all the investment incentives that were on offer in the late 1950s and the 1960s.

The impact of the stabilisation programmes of the IMF in many of the countries manifested in the contraction of the economy and mounting social development crisis: in health, education, and social welfare. Increased liberalisation of the economies carries the added effect of weakening the capacity of the state to respond to the frequency and severity of financial crisis globally. The NEPAD speaks about the removal of price distortion as the positive outcome of structural adjustment. Yet, the neo-liberal misreading of the African labour markets is central to the policies that created so much labour market dislocation (Adesina 1994). The resulting escalating crisis of unemployment is a major contributor to the crisis of poverty.

If the debt crisis of the early 1980s arose out of severe balance of payment and capital account crisis, the experience of many countries, since 1980, has been the escalation of the debt crisis, not its reduction. Total debt stock of the SSA countries rose from US$60.6bn in 1987 to US$206.1bn in 2000. Total debt, as a percentage of total export, rose from 65.2 percent in 1980 to 210.8 percent in 1999 (World Bank 2001b). This escalation occurred in the period in which African countries and treasuries were subjected to the most detailed oversight and control by the BWIs. This raises a host of questions about the nature of neo-liberal programmes and the real functions of the BWIs when administering these programmes. In 2000, 94.86 percent of the long-term debt and 76.13 percent of the total debt stock of the SSA countries were public or publicly guaranteed – roughly, the same figures as in 1980 (World Bank 2001a, p. 258).

Similarly, in the late 1990s, the rates of investment and savings were at a level lower than they were in the period 1975 to 1979: at the onset of Africa's economic crisis.

Contrary to the picture painted in the NEPAD document, twenty years of neo-liberalism in Africa has failed to tackle very important structural impediments to global trade and the structural weakness of Africa's post-colonial economies that made them so vulnerable to external shocks. The argument in the NEPAD document that what Africa needs to do is to integrate more into the global market place mirrors the erroneous characterisation of African economies as "closed." It is not that African countries are averse to global integration but the trade regimes and practices of the powerful countries continue to deny African countries access to these markets – precisely in areas where Africa has comparative advantage. More important is the mode of integration of African economies into the global market place.

The capacity of many African states to govern and regulate their societies and economies has been severely undermined in the enforced contraction of the public sector in the heady days of neo-liberal orthodoxy. After years, in which neo-liberal policies led to the severe contraction of the civil service, which was supposed to be bloated and unproductive, the World Bank 'discovered' that the size of the African civil service is insufficient for its population. After years of demoralisation and loss of prestige, the Bank is devising programmes to "build capacity" that its policies destroyed in the last two decades. The paradox of adjustment is that the countries that have done fairly well by it (e.g., Ghana and Uganda) have done so because of quite unorthodox response to donor pressure and the relative (internal) hegemonic nature of the regimes.

### Box 3: Ghana: Macro-economic Objective Vs Poverty Reduction Objectives

*An important example of the contradiction between the macro-economic objective and the poverty reduction objectives is the privatisation of water delivery in Ghana. Two conditions were set for the release of new tranches under the HIPC initiative: "full cost recovery in the public utilities" and "automatic tariff adjustment formulae for electricity and water" (IMF 2002, para. 22). The Fund argued that this "pricing reform is necessary to safeguard macro-economic stability and, hence, the authorities have agreed that its implementation should be a condition for completion of the fifth review" under the PRGF initiative (IMF,* ibid.*). An initial increase in water tariff from 400 cedis to 800 cedis was implemented in May 2001. It is estimated that tariff will escalate by another 300 per cent under the 2002 conditionality of the BWIs.*

*Under the terms of the privatisation of management of water, the Government of Ghana still has the responsibility of raising an estimated US$500mn for upgrading the water infrastructure. This, in a country where about 40 percent of the population earn less than US$1 a day, 68 percent lack sanitation services and 35 percent lack access to safe water.*

*As the "Coalition Against Privatisation" argued, the privatisation of water services is not in the national interest of Ghana, much less the poor. It is "the result of very deft political manoeuvrings by a consortium of donor countries committed to promoting the interests of their own corporate citizens." A public monopoly is being converted into a private monopoly under the control of the European trans-national water companies. Full cost recovery and automatic adjustment in tariff protects international capital at the expense of ordinary Ghanaians.*

### Post-Washington Consensus and the Challenge of Poverty

In this section, we examine some of the evidence of the claims of a more socially-embedded policy framework in the continued enforcement of neo-liberal agenda. Debt crisis, social spending and poverty are inter-linked. We use two cases (countries) to illustrate these linkages. In the case of Ghana (Box 3), we look at the implementation of the Highly Indebted Poor Countries (HIPC), Poverty Reduction Strategy Papers (PRSP), and the Poverty Reduction and Growth Facility (PRGF). We examine some implications for social sector spending. In the Nigerian case (Box 5), we look at the relative impact of the continuing debt crisis on the social sector, especially health and education.

As Cheru (2001, p.11) notes concerning the HIPC and the PRSP, "the broad macro-economic objectives are inconsistent with the poverty reduction goals." Although, there are important differences between the original HIPC Initiative and the enhanced HIPC Initiative, the fundamentals have hardly shifted. In the same way, the IMF's Poverty Reduction and Growth Facility (PRGF) is a re-tagging of its earlier Enhanced Structural Adjustment Facility. In other words, we are dealing with different delivery vehicles for the same goods, but this shift in modes of representation is not new.

The implementation of such "poverty-conscious" initiatives like HIPC and PRGF belie their representation. While the BWIs made concessions to Oxfam and UNICEF in greater 'involvement' of the civil society, a review of the implementation by Cheru shows that "the 'template' for preparing the PRSP...is designed by donors, which says very little about the authenticity of national ownership" (Cheru 2001, p. 14). In several cases, consultation with the civil society in policy design was either ignored or gestural and, even where there has been extensive consultation, the design of macro-economic policies that underscore these 'poverty-conscious' projects were excluded from discussion. A crisis at the heart of the new debt "relief" and "poverty reduction" programmes is that they are least likely to achieve these objectives.

If foreign direct investment was to be the reward for macro-economic policies that are severely undercutting social development, evidence of the flow of foreign direct investment does not provide any room for optimism. Between 1995 and 2000, Africa's share of global FDI fell from 2 percent to 0.7 percent (Basu and Srinivasan 2002, p. 6).

### Africa's Development and the Challenges of Poverty: Beyond NEPAD

It is clear that not much can be done with the NEPAD, given its content and the nature of its politics. In its politics, NEPAD is donor-focused. Its attention to important issues such as trade regimes and policies remains weak, yet 50 percent of Africa's net resource loss is trade-related. Its understanding of the nature of the global economic regime remains naïve or dubious. Actual trade negotiation behaviour of its principal proponent, South Africa, at the WTO, for instance, continues to undermine a coherent African negotiating platform. The NEPAD fails to challenge the prevailing norms within the WTO.

While debt cancellation is a stated MDGs, NEPAD's preference was to walk away from this in preference for the IMF/World Bank Enhanced HIPC Initiative. While internal policy is important, not laying to rest the issues of debt and trade regimes will continue to undermine the efforts of the African countries. Neither would African countries need the type of Overseas Development Aid (ODA) that continues to nurture dependency of a subordinate nature.

The enthusiasm expressed for neo-liberalism and the amount of effort being devoted to putting in place the institutional framework for a market-friendly investment environment seems naïve in the light of the knowledge about the working of neo-liberal globalisation. The 2001 UNCTAD report shows clearly that in almost all the African countries, except Mauritius, Egypt and South Africa, there was widespread erosion of real wage (between 25 – 45percent) between 1985 and 1998. The picture for South Africa masks the loss of 423,000 jobs between 1994 and 1997, and another 300,130 jobs between 1998 and 2001!

A significant aspect of this trend is what looks like a shift in the structure of the labour market: in Republic of South Africa, while 394,432 full-time jobs disappeared in the industrial sector between June 1998 and March 2001, 92,302 part-time jobs were created. Yet, labour market crisis is inexorably linked to issues of livelihood and poverty.

While private-sector-led development trajectory may be the concern of the BWIs and their handlers, the development of capitalism is more diverse than the post-Washington consensus and the NEPAD suggest: narrowing down of the role of the State to turning the table for private capital flows and lessons from successful growth economies. Privatisation is not necessarily the *sine qua non* for successful economic performance. Nowhere is this clearer than in a comparative reading of the performances

### Box 4: Nigeria: Effect of the Debt Crisis on the Social Sector

*The paradox of the debt overhang is quite striking in the Nigerian case. Of the total external debt stock of US$31.935bn (i.e., 78 percent of the GDP), 76.95 percent, or US$24.573bn, in 2001 was classified as bilateral debt. Of the bilateral debt, 99.44 percent was owed to the Paris Club creditor cartel. More remarkably, US$21.589bn, or 88.35 percent, of the US$24.435bn owed to the Paris Club was made up of consolidation of arrears, penalties or capitalised moratorium interest, rather than new loans taken by the country.*

*In 1999 alone, interest payment accounted for 45.6 percent of the total federal budget, and 59.6 percent of the all recurrent spending. US$1.9bn was paid out to service the external debt at the end of 1999; another US$1.5bn was allocated for 2000. For 2002, US$1.7bn will be paid out in debt-servicing alone.*

*In 1999, the federal government (alone) spent 16½ times on interest payment than its total spending on health and 8½ times than its total spending on education. For 2002, the budget provision for debt-servicing (a "first call" budget item) is nearly 13 times more than the total spending on Health and almost 11 times of the spending on all tiers of Education. Debt-service-to-export ratio is expected to rise from 10 percent in 2000 to 21 percent in 2002 and 25 percent in the medium term (IMF* ibid*). By IMF's estimation, Nigeria's external debt situation will worsen even in the medium to long-term. Under an assumption that debt will not be re-scheduled, the outstanding external debt will rise to 85 percent of the GDP in 2003 (IMF 2001, p. 70). Even under its best scenario – the re-scheduling of 67 percent of the net present value of the debt – debt service will consume 18 percent of the total export earnings (IMF 2001, p. 71). Nigeria can expect to face "a surge in debt service payments in 2005", and after (IMF 2001, p. 72).*

of the Chinese and Russian economies in the 1990s. Nigeria's recent experience with the privatisation of its national telecommunication carrier is also a lesson in how not to privatise. The external and internal promoters of the privatisation programme were more concerned with selling off the state-owned enterprise than in recognising the severe recession in the global telecommunication industry. Five months after the sale of 51-percent equity to a consortium, the deal fell through because the consortium could not raise the necessary fund to cover the US$1.3bn for the 51-percent stake on sale.

Finally, the experience with taking the rhetoric of liberalisation at face value is that governments tend to lose control over their own macro-economic programmes, in terms of policy choice and the social agenda they could pursue. It is one of the abiding intellectual crises of the authors of the NEPAD document that they confused global inter-connectedness (via information technology) with the demand for unrestricted access by trans-national capital to all national economies (pervasive trade liberalisation).

The deflationary bias inherent in neo-liberalism does not serve national or continental interest, when embedding poverty reduction in macro-economic policies is an objective. Even at the level of macro-economic policy-making, the deeper the level of liberalisation, the fewer the policy options available to the State.

Meeting the challenge of poverty is multifaceted. While the current practice within the BWIs and neo-liberalism is to use targeting and safety net approach to poverty alleviation (rather than reduction), an African agenda needs to move beyond this approach. Poverty reduction in Africa is both about raising the productive capacity of the economies and people, as it is about specific social policy.

The regime of targeting as a means for accessing social services also undermines social inclusion and equity. Universal entitlement to social services not only removes the stigma of accessing the services but it has the advantage of enhancing a socially inclusive milieu in the country or community. Investment in education and health nurture growth; growth improves capacity to expand and deepen social policy.

## Conclusion

The NEPAD is both an opportunity and a challenge. It is an opportunity because in putting the continental development agenda on the table, it allows us to re-visit Africa's development future. Yet, either out of ignorance or out of arrogance, the authors of the NEPAD have nothing to say about over twenty years of pan-African development policy efforts, not the Lagos Plan of Action or AAF-SAP. NEPAD remains a challenge because it is driven by a discourse that is based on a distorted reading of SSA's post-colonial experience and the current challenges. Embracing neo-liberalism seems to demonstrate a weak reading of the continent's experience of the past two decades, as well as the variety of experiences with capitalism. The very policy framework that has deepened the crisis and widened poverty cannot be the platform for meeting the challenges of development and poverty. In spite of its marketing as an anti-poverty development agenda, neither poverty reduction nor "human resource" development, broadly, features on its list of priority sectors. Historically, success in combating poverty has always required a highly focused approach that transcends the "equity/growth" trade-off thinking of the neo-classical economists that is immanent in the NEPAD itself.

The politics of NEPAD remains, at the level of marketing, its greatest point of worry. Its authors are driven by the same technocratic approach to policy-making that the BWIs have favoured since the early 1980s, i.e., shutting the public away from the arena of macro-economic policy formulation. Policy crises are thereafter defined as one of communication and marketing: to get the public on-board a wagon over whose construction they had no say, in the first instance.

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