



NEPAD Initiative Support Conference, March 6-7, 2003

« For a Continental Infrastructure Policy »

Lessons drawn from the Conference by the Chief Manager Executive of the AFD

This document is not to be considered as an exhaustive report or formal list of conclusions, but it rather seeks to summarize the discussions and to draw several lessons from them. It contains the points expressed by the Chief Manager Executive of the AFD at the closing session. The order and presentation are slightly different so as to facilitate reading.

1. CONFIRM SUPPORT TO NEPAD

1.1. An approach recognised as based on a good and fruitful principle

NEPAD is a dynamic political process, a gradual and continuous construction. All answers cannot be provided immediately, but the concerns and mechanisms chosen by NEPAD are justified, and deserve strong involvement on the part of development institutions.

The agencies wished to confirm their support, and some of them wished to specify the forms of their actual contribution to this approach.

1.1.1. An essential point: the prevention and settlement of conflicts

Peace and security are the necessary prerequisites for any economic growth. NEPAD is a process invented by the Africans to serve this objective.

This general political objective has a very relevant application in the infrastructure sector. Many delegations have stressed that without a stable environment no investment operation is possible. This holds true particularly for regional integration projects that depend on the situation of each one of the countries concerned.

1.1.2. Governance as a pivot of development

A key advantage of NEPAD lies in its capacity to become a «powerful » instrument to reduce political divisions, an instrument of dialogue between the parties involved, and an instrument to strengthen confidence, in particular of the players in the private sector.

Awareness of this dimension constitutes the fundamentally new aspect of NEPAD: if the financial institutions have already used the notion of governance for a long time, it is now the Africans who promote it. This innovation is a response to past failures.

Moreover, emphasis on the notion of governance is essential in the field of infrastructures, which have often suffered from a deficient management and political and administrative framework. Governance constitutes a principled response appropriate to the endemic ills that have struck the continent. All the delegations have thus stressed their attachment to the dimension of governance.

1.2. The need to move toward concrete achievements

1.2.1. The choice of infrastructures

As all institutions continuously repeat, effective development policies require that we listen attentively to Africans. The Africans themselves have chosen infrastructures as a priority sector-wide orientation.

Beyond the theoretical or empirical discussion on the links between infrastructures, growth, and the reduction of poverty, the arguments presented by Professor NKHULU, the ADB and other participants are irrefutable: the development of Africa is inconceivable without the development of its infrastructures, whether they be supplying water in rural zones, attracting investors by reducing transportation costs, or providing a stable energy resource.

Perhaps it is in a way «comfortable » to evade this sector, which is less easy to present for some financial institutions than health or education. Financial institutions, however, have sufficient experience (many delegations stressed the position occupied by infrastructures in their portfolios) so as to avoid repeating the negative experiences of the past. The idea is not to “move backward”, as some have perhaps feared.

Financial backers, moreover, have been favourable to taking into account issues related to infrastructures in the Poverty Reduction Strategy Papers (PRSP).

1.2.2. The practical dimension of NEPAD

The different partners must not be content with declarations of principle but must adopt the NEPAD approach in their operations. The institutions must manifest their support to NEPAD first of all in the field.

Moreover, pragmatism appears at the heart of the concerns of many financial institutions, which entails considering the points of application of NEPAD in an open manner (see infra). For this, however, the institutions stress the need for a working base that is clear and well understood by all. In this connection, development aid institutions urge greater consistency and clarification of the content of the African «demand ».

2. EXPECTATIONS OF FINANCIAL INSTITUTIONS WITH REGARD TO NEPAD

2.1. Necessary consistency and clarity on the part of African applicants

The approach is innovative, which can lead to some trial and error: a regional or global approach, the respective roles of the ADB and the NEPAD Secretariat, etc. Despite undeniable progress accomplished for a year, the participants at the meeting stressed the ambiguity of NEPAD's operational architecture.

Moreover, the application must be expressed in a consistent manner by the Africans. This problem is related both to the institutional aspect (*who does what?*) and to the expected achievements (*what has to be done?*). It is also related to the urgent need to acquaint African partners themselves with NEPAD. As certain reports of members of the conference stressed, the appropriation phase is not complete, including at the political level.

In this respect the clarification provided by Professor NKHULU (final responsibility of States, support by the Secretariat, imminent finalization of the peer review mechanism – APRM -) and the BAD (approval of projects by NEPAD member countries, clarification of the role of each participant – States, Regions, NEPAD/UA, partners/financial institutions-) is to be welcomed.

A central gateway, however, is required by the community of financial institutions. Is this gateway the BAD, whose role is more technical, or the NEPAD Secretariat, whose prerogatives are more political? The aid institutions are now positioned to listen to African applications attentively, and they want this application to be presented clearly.

2.2. The definition of a medium-term and long-term strategic plan in the field of infrastructures constitutes a useful response

NEPAD must not be reduced to a catalogue of short-term projects and programs. A true vision is necessary as it allows coordination of regional and sector-wide strategies which will constitute a basis for work and a model for all participants.

In this connection, the setting up of a medium-term and long-term plan, now being prepared by the ADB, provides a useful response.

This plan must receive a political validation: the community of financial institutions must be sure that this strategic vision is actually supported by all the governments.

The financial institutions will moreover be happy to participate in this dialogue, in particular because the ADB will not be able to cover the funding of all the operations related to the NEPAD alone. Many financial institutions are also ready to provide technical support to the ADB or other NEPAD bodies if they are requested to do so.

2.3. Integrating development policies in a consistent geographical, sector-wide, and methodological framework

2.3.1. Necessary frameworks

Setting up or adapting consistent frameworks is necessary to enable all participants to:

- draw lessons from experience and avoid projects designed *ex nihilo*;
- obtain methodological and good practice frameworks. A project or program in a sector (water, electricity) must be part of a policy (water policy, energy policy, etc.).

2.3.2. Consistency of national and regional frameworks

The financial institutions stressed that the national framework remains the central framework for defining and orienting development policies, and that PRSPs remain the process on which their decisions to allocate resources are based.

It is thus indispensable that the NEPAD approach be consistent with the PRSPs. Indeed, although the PRSPs are not yet fully operational or complete (the PRSP process is relatively recent), they now constitute a working base recognised by all participants in identifying key problems and development priorities.

But it also should be remembered that the regional aspect is «serious». This dimension is often the only source of productivity (effects of scale) and thus helps reduce poverty. The regional dimension is unavoidable, as the financial institutions all agree, and as the example of the three projects presented during the meeting (WEST AFRICAN POWER POOL, NIGER BASIN, MOTRACO) illustrate. Regional integration is also a value promoted by NEPAD.

The regional scale must be compatible with the national scale. The following questions thus arise: how can this consistency be guaranteed? Might there be contradictions, and how can they be overcome?

Two possibilities for change are available to institutions:

- Setting up regional PRSPs (a solution indicated by the World Bank);
- «Translate» regional intentions into national PRSPs, which can be done by (i) coordinating national PRSPs (avoid contradictions) and (ii) gradually including the underlying visions of the NEPAD in the PRSPs so as to avoid ambiguities and misunderstandings within the PRSPs and between them.

Joint work between the World Bank and the ADB would be the best vector of this consistency.

In any event a basic direction must be preserved, and at the same time the coordination of roles must be clarified:

- Preserve the responsibility of the State in the drafting of the PRSPs ;
- Redefine the role of sub-regional organisations in this process. The Africans should be asked about this point, which remains unresolved.

2.4. Participation of financial institutions in preparing programs

The desire to support NEPAD was stressed by all the financial institutions. Several of them mentioned the institutional support that they had already actually provided. All possess more or less diversified tools, and the delegations emphasised their readiness to provide support in the form of technical assistance if the NEPAD partners so deemed necessary. The resources, therefore, are not in principle the factor limiting support to NEPAD.

A strong desire emerges from the meeting for dialogue about the preparation of programs that the financial institutions will be led to fund. It is incumbent upon Africa to decide upon the type of coordination with the financial institutions that it wishes to promote.

3. HOW THE FINANCIAL INSTITUTIONS CAN ADAPT THE NEPAD APPROACH

3.1. Mutual understanding

3.1.1. Avoid limiting the fields and resources for action

As for the themes that might be subject to different interpretations, possible ambiguities must be eliminated and at the same time the variety of situations and possibilities must be observed in terms of:

- Size of operations: NEPAD must not always be associated with the notion of «large-scale projects »; small-scale operations at the local level (communities, local bodies...in particular in the area of water) are also relevant.
- Type of operation: no method (projects/programs) or type of funding (directly or through budget assistance) is to be excluded in principle.
- Level of responsibility: operations can be carried out on a (i) regional, (ii) national, (iii) local scale.
- Quality: past pitfalls should be avoided («Pharaonic » or ill-suited projects, absence of continuity, poorly evaluated social and environmental impacts, maintenance problems, etc.), to prevent NEPAD from reviving projects considered to be counterproductive. The notion of good governance associated with NEPAD plays a key role here.

3.1.2. Compliance with fundamental criteria and principles

Without going as far as a «certification », which is difficult in an institutional context still under construction, the financial institutions can identify operations complying with the NEPAD

initiative on the basis of several criteria. Several approaches are possible, but two major common criteria can be listed:

- i. Good governance;
- ii. Contribution to sustainable development, the three pillars of which are economic, environmental, and social.

Regional integration, the applications of which are found throughout the three projects presented at the meeting, may be considered as a criterion. It requires first of all, however, greater consistency between countries in sector-wide policies. Local approaches should therefore also be taken into account as long as they are part of this consistent framework and as long as they serve this objective.

3.2. An adaptation of the practices of financial institutions

Several solutions for the integration of the NEPAD approach in the initiatives of the different financial institutions can be outlined in order to:

- Encourage the World Bank, in particular, to develop regional instruments which some institutions already possess, without disconnecting all regional solutions from national policies and processes;
- Encourage the adaptation of PRSPs (see *supra*);
- Encourage all the financial institutions to develop and/or adapt their instruments so as to offer the broadest range of possibilities. Specifically, this means:
 1. Keeping as a fundamental principle the optimisation of leverage: (i) privilege borrowing over subsidies insofar as possible, (ii) use private funding in conjunction with public funding, (iii) use guarantees.
 2. Considering the local financial sector as a fully-fledged player in the funding of the infrastructure sector, which requires the consolidation of the banking system, the strengthening of the financial market...One of the objectives is to obtain funding in local currency adapted to infrastructures.
 3. Emphasising financial viability: prices are the key factor here. *Ad hoc* instruments like output-based aid that can be used in projects as well as in budget channels, allow more effective coordination of relations between prices, profitability, and contribution to development.
 4. Keeping the broadest range of instruments: budget aid, projects, sector-wide approaches, funds, technical assistance, etc.
 5. Developing instruments of guarantee: many methods are possible (sovereign or not, total or partial), but their role is never to eliminate all risks, as each participant must accept part of the risk. The question of *moral hazard* should be

presented to the members of NEPAD, who must take a position on this matter, while aiming at the objective of trust. The question of calculating guarantees in the form of official development assistance must also be raised within the appropriate bodies (DAC/OECD).

6. Major progress must be accomplished in the field of «sub-sovereign » guarantees (local bodies), or a range of appropriate instruments must be designed.
7. The institutional aspect is essential. Support to the adoption of techniques for managing and regulating infrastructures (capacity building) is a subject highlighted by all the financial institutions.

4. CONCLUSION

This meeting has been short but rich, and it has given us the opportunity to discuss many topics. This is the first operational meeting about NEPAD to be held between all the financial institutions so as to eliminate any misunderstanding. The dialogue that has been opened must be continued. The wish expressed is to focus NEPAD on concrete achievements. One of the essential messages emerging from this meeting, a message which must reach the promoters of NEPAD, is that a clarification of the organisation and operational architecture of this African initiative is expected, and that there is a global demand for consistency.