ECONOMIC GOVERNANCE AND THE PARTNERSHIP FOR AFRICAN DEVELOPMENT (NEPAD)

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Abstract

The paper discusses economic governance within the context of NEPAD. It examines Africa's economic performance over the period 1980-2000 and argues that for African to reverse underdevelopment, African economies must be structurally transformed through economic strategies and programmes which are conceptualised, formulated and implemented by Africans. Regarding implementation, there is the need to seek genuine assistance from bilateral and multilateral institutions. Consequently, debt overhang, corruption, nature of political leadership, human capital development and foreign investments are issues that must be examined. This paper argues that economic governance issues cannot be isolated from decentralization of decision-making within each individual African countries.

1. Introduction

The African economy remains underdeveloped despite decades of conceptualising, formulating and implementing various types of economic policies and programmes. Average income per capita in Africa is lower than at the end of the 1960s. The African region contains a growing share of the world's absolute poor with little power to influence the allocation of resources. Africa's average income per capita averaged about US $ 315 in 1997. If this figure is expressed in terms of purchasing power parity (accounting for higher costs and prices in Africa) then real income averaged one-third less than in South Asia, making Africa the poorest region in the world. "The region's total income is not much more than Belgium's and is divided among 48 countries with median GDP of just over $2 billion – about the output of a town of 60,000 in a rich country" (World Bank, 2000).

Most countries in Africa remain largely primary exporters, aid dependent and deeply indebted. In 1997, foreign debt burden was more than 80 per cent of GDP in net present value terms. African is the only major region where investment and savings per capita declined after 1970. The savings rate of the typical African country has been the lowest in the world, averaging about 13 per cent of GDP in the 1990s.

The development challenges of Africa are deeper than low income, falling trade shares, low savings, and slow growth. In addition, they include high inequality, uneven access to resources, social exclusion, insecurity, environmental degradation, HIV/AIDS pandemic, among others.

In order to reverse underdevelopment in Africa, several initiatives have been attempted in the past. These include: the 1980 Lagos Plan of Action; the 1986 – 1990 Priority Programme of Economic Redressing of Africa (PPREA) adopted by the OAU in 1985 and complementary UN Programme for the Economic Redressing and Development of Africa; ECA Alternative Structural Adjustment Programme for Africa: and the African Scope of Reference for SAPS for Socio-Economic Redressing and Transformation. These efforts, to a large extent, have not been implemented.

The New Partnership for African Development (NEPAD) seems the latest African development initiative. NEPAD was adopted in October 2001 at the inaugural meeting of the Implementation Committee of the Heads of State and Government. This initiative is a merger of the Millennium Action Plan for African Recovery Programme (MAP), the Omega Plan and the New Compact with Africa. It represents an additional step towards anchoring development in the collective vision and commitment of African leaders. NEPAD calls for a new relationship between Africa and the international community to reduce poverty and overcome the development gap that has widened over centuries.

The long-term objectives of NEPAD include: (1) to eradicate poverty in Africa; (2) to place African countries on a path to sustainable development and hence arrest the marginalization of Africa in the globalization process; and (3) to promote the role of women in all activities. Consequently, the goals of NEPAD are:

1. Achieve and sustain an average gross domestic product (GDP) of above 7 percent per annum for the next 15 years.
2. To ensure that Africa achieves the agreed international development goals, viz:
    i. to reduce the proportion of people living in extreme poverty by half between 1990 and 2015.
    ii. To enrol all children of school age in primary schools by 2015
    iii. to make progress toward gender equality and empowerment of women by eliminating gender disparities in the enrolment in primary and secondary education by 2005.
    iv. to reduce infant and child mortality ratios by two-thirds between 1990 and 2015
    v. to reduce maternal mortality ratios by three-quarters between 1990 and 2015; and
    vi. to implement national strategies for sustainable development by 2005 in order to reverse the loss of environmental resources by 2015.

One of the methods for achieving some of the above goals is through the Economic Governance Initiative (EGI). Within the EGI, NEPAD's scope is limited to capacity building of the state in order to promote economic growth and development as well as implement poverty reduction programmes.

The responsibilities and obligations of developed countries and multilateral institutions within the context of EGI include:

- working with African leaders to encourage investment in Africa by the private sector in developed countries, including the establishment of insurance schemes and financial instruments that will help lower risk premiums on investments in Africa.
- to set up coordinated mechanisms to effectively fight corruption and commit themselves to returning proceeds of corruption to Africa.
- to provide technical support to accelerate the implementation of the programme of action, including strengthening Africa's capacity in planning and development management, financial and infrastructure regulation, accounting and auditing, and development, construction and management infrastructure.

The paper examines economic governance within NEPAD's mandate. It is anticipated that the framework presented and the issues analysed therein will provide the basis for understanding the conceptualisation, formulation and implementation of NEPAD. The paper is organized as follows. Following the introduction, section 2 discusses the theoretical framework while the performance of the African economy is examined in section 3. Critical issues relevant to economic governance are analysed in section 4. In section 5, we conclude the paper and offer recommendations.

2. Theoretical Framework

Economic governance centres around sound economic management and performance of an economy overtime; sound economic management must result in sustainable economic growth and development. This includes the provision of sound macroeconomic policies that create a stable environment for economic activity. It implies the creation, protection, and enforcement of property rights without which the scope of economic activity will be limited. Furthermore, the provision of an efficient regulatory regime, the absence of corruption, consistent policies to eradicate poverty and the provision of appropriate institutions to support human existence come under the subject of economic governance.

It is important to state up front that political and economic governance are inseparable. They both underpin sustainable growth and development. Hence, our perception of economic governance suggests an active role for the state. After-all, many of the institutions that support economic activities/markets are public provided. Economic governance is more embracing. It allows the state to be a partner with other economic agents in the development process. The debt overhang, corruption, nature of political leadership, design and implementation of poverty-oriented budgets, human capital development and foreign investment are issues that can be analysed under economic governance.

Economic governance connotes good governance; good governance does not necessarily imply democracy. "Good governance requires the power to carry out policy and to develop institutions that my be unpopular among some – or even a majority of the population. Public officials cannot enforce property rights without the ability to try, judge and punish those who do not respect those rights" (World Bank, 2002, p.99).

Furthermore, good governance is important for growth and poverty reduction. Some studies have found strong relationships between per capita income and measures of the strength of property rights and the absence of corruption. There are also recent findings suggesting a strong effect running from better governance to better development outcomes (Knack and E. Keefer, 1995, Mauro, 1995; Acemogh, Johnston and Robinson, 2000).

There is no doubt that a modern state must be one that theorizes and implements good governance; leaders and policy-makers in such a state must demonstrate transparency, accountability and comprehensiveness in the management of the economy.

It is important to state that the concept of economic governance as enunciated above derives from neo-classical and neo-Keynesian theorizing on how an economy should function. Neo-classical orthodoxy assumes that markets do clear and that competition with all its tenets drives an economy. Under this paradigm, the major function of the state is to ensure law and order; the State has no business in direct economic activity. The neo-Keynesian paradigm believes in government management of the economy because of the inherent instability of the market system. For this school of thought, government management of the economy is crucial if economic crises are to be averted. Therefore, this paradigm has influenced the argument that government must intervene in the economy in order to accelerate growth and development.

However, the neo-classical, monetarists and new classical economists accept government intervention in the economy as, a short-run phenomenon. In the long-run, if all economic agents are rational, the economy will operate at its natural rate/full employment output. Hence, government intervention will make sense only in the short-run; managing an economy in the long-run will result in distortions. That is, as long as the forces of demand and supply are allowed to operate, managing an economy deals with short-run shocks/disturbances.

Conceptually, within conventional economic theory, it is the Keynesians and their cohorts (neo-Keynesians, Post-Keynesians and new Keynesians) that favour government continuous management of the economy through the conceptualisation, formulation and implementation of appropriate economic policy. This school of thought argues that the market system, if allowed to operate on its own, is subject to instability and crisis. Therefore, government ought to manage the economy to ensure stability so that the market could thrive (Ekpo, 2001, p.5) Hence, within a competitive capitalist framework, management of an economy is essential to ensure growth and development. In fact, there exist instances when government must be seen to actively manage an economy in order to restore competition and ensure growth and development.

It seems that NEPAD falls within the conceptual framework described above. However, the attributes of good governance are not explicitly stated in the NEPAD's economic governance presentation. More importantly, the paradigm within which the EGI is pitched does not capture the structures of the African economy. The continent is underdeveloped. It is characterized by among others:

- the predominance of subsistence and commercial activities;

- a narrow, disarticulate production base with ill-adapted technology;
- a neglected informal sector;
- a degraded environment
- uneven development due to the urban bias of public policies;
- fragmentation of the economy;
- openness and excessive external dependence especially for factor inputs; and
- weak institutional capabilities.

These features are well elucidated in Economic Commission for Africa (1990) – they formed the basis for an African alternative to the Bretton Words structural adjustment programme. It is clear that the EGI within NEPAD fails to capture the reality of the African economy; part of this reality is the African economic crises which are deep and different and hence all theories developed outside the continent seem wanting for ignoring this crisis.

According to Onimode (1988, p.2):

> "Fundamentally, the African crises is one of underdevelopment, the central problematic of the African continent and the Third World generally. This makes the crisis basically structural and historical. But though underdevelopment is largely an economic phenomenon, the African crisis is also accentuated by serious social and political problems as well as an intellectual crisis. The intensification of the contradictions of underdevelopment are visible in the food crisis, deplorable mass poverty, decimating disease, pervasive illiteracy, technological backwardness, prostrate external dependence and mounting foreign debts".

If we add the HIV epidemic and the conflicts (insecurity in the continent) then the crisis is more deepening. We have argued elsewhere that the modification of the 'new' macroeconomics to incorporate variables relevant to Africa will still not work because its ideological ingredient negates the African experience. Africa was colonized, has problems of class and tribalism, depends on industralized economies for virtually everything, and the distortions emanating from the activities of multinationals, among others (Ekpo, 1997, p. 21). The conceptual framework of NEPAD ignores these issues. Yet these matters are crucial if African leaders and policy-makers are committed to conceptualising, formulating and implementing policies and programmes that will reverse underdevelopment.

Most economists in African have stressed model-testing rather than puzzle solving. The consequence of this has not only been the omission of important variables based on the African experience but also the implementation of half-baked policies which deepen Africa's underdevelopment. After all, the entire essence of managing an economy is to ensure sustained economic development. After more than three decades of orthodox economic theorizing and implementation, Africa remains underdeveloped. The reasons partly depend on distorted economic development models. For example, economic development model in Africa must at least capture the following issues: (i) how wealth is produced and distributed; (ii) who owns and controls the factors of production; (iii) the social relations of production; (iv) the role of multinationals; (v) dependency as a derivative of the theory of imperialism; (vi) the exploitation of one class by another in each African country; (vii) good governance (not necessarily democracy) and (viii) the role of organizations like the International Monetary Fund (IMF) and the World Bank.

Therefore, contrary to orthodox development theory, we agree with (Baran, 1968, pp. 3-4) that:

> Economic development has always been propelled by classes and groups interested in a new economic and social order, has always been opposed and obstructed by those interested in the preservation of the status quo, rooted in and deriving innumerable benefits and habits of thought from the existing fabric of society, the prevailing mores, customs, and institutions. It has always been marked by more or less violent clashes, has proceeded by starts and spurts, suffered setbacks and gained new terrain – It has never been a smooth, harmonious process unfolding placidly overtime and space.

African leaders and policy-makers who perceive economic development as stated above will manage an economy differently from those with contrary views. NEPAD as conceptualised rejects the above notion of economic development.

A superior methodology for examining the subject matter is the historical and dialectical materialist approach, that is, the Marxist methodology; some scholars locate this approach under the radical political economy framework. This method embraces three components: The materialist theory of social formation as a guiding hypothesis; the activist epistemology which stresses the role of practice in knowing, and dialectics as a way of analysing complex, contradictory and dynamic interconnections (Toyo, 1983; Onimode, 1985, pp. 25-42; Rodney, 1981, pp. 31-41). The method is rigorous. It demands and embraces the use of functional analysis, if then logic, mathematics, statistics etc. It builds on the shoulders of archaeology, anthropology, sociology and other fields. The advantage of this method is that it allows the analyst the means of combining all specific methodological developments into a coherent system of tools. The alternative will be a chaotic collection of tools and methodological eclecticism.

This historical and dialectical materialist method when applied to examining the NEPAD will elucidate problems of self-interest, primitive capitalist accumulation, distorted micro and macroeconomic policies, globalization etc. For example, inherent in this method is that markets do not just clear and that there exists social forces, which exert influence on markets. The neo-Keynesian framework asserts that markets do not clear. NEPAD has been derived from this framework.

Allowing for the usual aggregation bias, let us examine Africa's economic performance for the period 1975 – 1999.

3. Africa's Economic Performance: Growth and NEPAD Goals

Africa's economic performance was sluggish during the period of the 1970s and 1980s. Between 1975-84, GDP grew at an average of 3.3% with inflation at almost 10% during the same period. In the second half of the 1990s, economic performance improved; growth stood at almost 6% in 1996 because well-managed economies took advantage of a generally favourable world environment to increase growth and raise per capita income (Elbadawi and Gelb, 2002).

In the 1990s, growth averaged about 2% for all of Africa and sub-Saharan Africa (SSA). This is far less what is needed to meet NEPAD's goal of halving poverty by 2015. There are several studies on why growth in Africa is slow. What is certain now is that there is a growing consensus among African leaders that good governance, peace and security, a healthy, literate population and sound macroeconomic management are essential requirements for growth and development . In general most countries have accepted the private sector as the engine of growth.

A recent study argues that almost all of the countries in Africa experiencing negative growth in recent times have been affected by either conflict or have experienced severe problems of political governance. In addition, there has been a deterioration in the terms of of trade particularly for agricultural and non-oil primary exporters. Current account as a percentage of GDP has remained negative throughout the period 1975-1999.

Overall rate of national savings averaged about 13% of GDP for SSA during the 1990s – there were slight increases before the 1990s. The rates cannot positively address poverty reduction. Savings are influenced by income levels and rate of income growth, among others; with generally low incomes, it is difficult to increase domestic savings.

"Poor trade performance has probably depressed domestic savings. For SSA, the loss of world export share since 1970 is equivalent to a flow of $70 billion per year in foreign currency – five times as large as annual net ODA flows to the region in the 1990s. Relative to other regions, this has reduced income growth, considerably depressed the propensity to save and probably encouraged capital flight through requiring domestic assets to depreciate in value relative to those abroad". (Elbadawi and Gelb, 2002). There is need to examine the type of trade relations. Unequal kind of trade relations exist between Africa and in industrialized countries. Moreover, part of the negative impact of structural adjustments is adverse terms of trade for Africa.

It is important to examine whether NEPAD as presently conceptualised will reverse the sluggish growth, increase domestic savings and ensure a satisfactory trade performance for Africa.

Table A.5 in the appendix shows Africa's standing in meeting international development goals. Regarding universal primary education thirteen African countries are seriously off track. Most African countries will be unable to reduce infant and child mortality by 2015.

Table 1: Africa Average Growth of Selected Economic Indicators (%)

PERIOD	GDP	GNP PER CAPITA	GNS GDP	GPI GDP	GPR GDP	GDI GDP	CA GDP	INFLATION
AFRICA								
1975-84	3.3	638	23.5	-	11.0	23.0	-4.3	9.8
1985-89	2.5	674	19.0	8.4	11.1	18.8	-3.0	12.7
1990-99	2.4	685	15.9	6.8	12.2	19.1	-2.7	10.6
Sub-Saharan Africa								
1975-84								
1985-89	2.2	540	19.8	8.7	9.4	20.1	-4-4	9.8
1990-99	2.3	510	15.7	7.1	9.2	15.3	-3.2	12.6
	2.1	530	12.6	6.2	10.9	16.7	-4.1	10.6
Sub-Saharan Africa Excluding South Africa and Nigeria								
1975-84	2.5	367	17.5	6.2	8.5	17.8	-7.5	9.8
1985-89	3.0	390	14.0	6.0	8.3	15.8	-6.0	10.6
1990-99	2.5	341	8.8	6.3	11.2	17.7	-8.2	10.5

Source: African Development Indicators 2001, World Bank, Washington, D.C

Notes:

1. *GDP = Gross Domestic product, million US dollars, constant 1995 prices.*
2. *GNP per capita in US dollars*
3. *GNS = Gross National Savings*
4. *GPI = Gross Public Investment*
5. *GRI = Gross Private Investment*
6. *GDI = Gross Domestic Investment*
7. *CA/GDP = Current account balance as percentage of GDP*
8. *Inflation – average annual percentage growth of consumer price index, 1995 = 1000.*

It is clear from Table 1, that Africa requires massive investment to have high growth levels that will with proper distribution address poverty and achieves other goals of NEPAD. The determination of African leaders to implement NEPAD re-echoes the need to examine critical issues bordering on economic governance.

4. Economic Governance Initiative: Critical Issues

NEPAD's desire is to reverse Africa's underdevelopment and backwardness in this millennium. The past experiences must affect how our policy-makers intend to propel the economies of Africa into sustained growth and development. The bottom line is the continuous qualitative improvement in the standard of living of all Africans. Consequently, in implementing NEPAD, the focus must be the people. How committed are our political leaders in building economies that are people-oriented? An analysis in each African country will reveal that in theory each leader proclaims to serve the people and improve their living standards but the reality/practice is different. Those who are to manage African economies in the context of NEPAD must be hardworking, alert and adaptable to the ever-changing global environment.

The Nature of States in Africa And Economic Policy

How the Africa economy is managed depends on the perception of those in control of the state. Economic policies are not derived from a vacuum or abstractly; they are anchored on ideological perceptions (implicit or explicit) of the leaders of the state who invariably decide on the type and quality of policy-makers.

The modern state requires the expertise of bureaucrats and/or technocrats who, more often, are guided by ideas from the leadership. If African states are people-oriented and focussed then the African economy will be managed in the interest of African peoples. The question is whether African states as presently constituted can be people-oriented and focused? Contrary to some held views, the State does not represent the attempt to reconcile differences. Rather, the State is the class in power. Hence, the views on how the economy should be managed represent the dominant view – the views of those (the class) that control state power. In practice, however, a conscious attempt to develop a modern state can result in the creation of a credible and competent middle class (workers) committed to move the economy forward by realizing the benefits of production and reproduction. There must be an attempt by the leadership to expand the production frontier of the African economy in order to bring more labour into the economy.

Democracy, Governance and Development

It seems that democratic values must be struggled for and sustained in the 21st century. Each country, based on its own experience, must determine the form of democracy it wants. Regardless of the type of democracy, certain requirements are essential. African governments must respect economic and political rights if NEPAD is to succeed. It should be noted that the Asian Tigers experienced significant growth and development under dictatorial regimes. Therefore, while democracy is desirable, it is not a sine qua non for economic emancipation.

However, economic governance must go hand in hand with good governance (not democracy); issues of transparency, accountability, legal framework for conducting businesses etc are crucial elements if NEPAD is to realize its goals.

Economic Deregulation

Economic liberalization is an element of EGI. How privatisation, openness and competition are pursued have implications on the economies of Africa. The philosophy behind this is that the private sector is the engine of growth. However, in most African countries, the private sector must first be developed. The euphoria of the market must be examined in the context of its ability to provide what it takes to move an economy forward in a macro sense. There are situations where the market may be preferred; in certain instances, the market may not be necessary. Therefore, the essence is to open up the economy for interested economic agents, with government inclusive to compete. The objective will be to avoid both market and government failures.

The rush to de-regulate all aspects of the conomy may adversely affect NEPAD. There is the necessity to learn from the failed SAPs of the Bretton Woods Institutions. There is no country in Africa where SAP has succeeded; several reasons have been given to explain the failure of SAP but the fact remains that African economies were ruined by implementing SAP and the current economic crisis can be traced partly to SAP (Ekpo, 1992). One of the lessons is that it is important to move cautiously with deregulation. If it is necessary to deregulate certain sub-sector(s) of an economy then **guided deregulation** is preferred. Guided deregulation is a process in which the economy is moved gradually but steadily away from being state-directed to being market directed.

The process requires that the steps to be taken are carefully planned and systematically implemented, and that each step that is taken is consolidated before the next one is attempted. This process gives each African country the opportunity to check every step it takes towards its objective – in this case the objective of building a truly market-based economy which is the goal of NEPAD. Guided deregulation means that we have to first of all create the conditions that are necessary for the functioning of a truly market-based economy before we embark on measures designed to bring about the emergence of such an economy.

Globalization

This is a process of integrating economic decision making such as the consumption, investment, and saving process all across the world. It is a global market in which all nations are required to participate. However, the globalization process must be properly examined. Who are the players in this world market? Who determines the rules? Can Africa participate effectively in globalization? In other words, is Africa ready? Most African countries are not ready for globalization.

Phillips (1999, p.12) notes that "countries which benefit most from globalization are those which have met the basic needs of their people and in a sustained manner too". In order for NEPAD to be part of globalization and not remain at the periphery to be exploited, African economies must be structurally transformed. Otherwise, globalization represents another approach of ensuring wider markets for industrialized countries. Perhaps, this explains the acceptance of NEPAD by developed countries and the Bretton Woods Institutions.

Debt Overhang

Managing the external debt will pose challenges for NEPAD. Debt overhang has direct adverse effects on growth and investment. "High debt creates expectations of future taxes and policy reversals, which reduce the incentives for current investment, while high fixed debt service obligations increase leverage and raise uncertainty, especially if donor funding is decided on a short-term basis". Therefore, potential investors will exercise their option to wait until returns are high enough to compensate them for taking risk.

If resources have to be freed to enable NEPAD to succeed then there is the urgent need to resolve the debt crisis. It seems the Western countries have significant vested interests in keeping the debt crisis alive. "Transnational Corporations, their economies and their foreign policies have been benefiting immensely from the persistence of the foreign debt crisis" (Onimode, 2000, p. 116). African leaders must seriously consider a case for collective debt repudiation especially as all attempted palliatives have found no solution to the debt crises.

For example, Nigeria is still owing more than 500 per cent of the principal foreign debt it took even when she has already paid 200 per cent of the sum on debt servicing alone. According to the Nigerian Head of State; "what we borrowed in totality was under $15 billion, we have paid $15 billion on debt service, yet we are still owing $26 billion. The interest rate is skewed against us, at the same time some of the debts are of dubious origins"

Foreign Private Investment

The private sector in developed countries is to be encouraged to invest in Africa under the NEPAD arrangement. There are several factors that may discourage private sector investment in Africa. These include: inconsistent macro-economic policies, policy reversals, insecurity, uncertainty etc. Governments in Africa must be ready to offer some guarantees if foreign investment is to be attracted. Foreign direct investment in SSA has shown marginal increases from 1970 – 2000. Private sector investors go after profits and not discussions. There are at present incentives to the private sector in the USA and other industrialized countries to encourage them to invest in Africa yet the response is rather discouraging.

In the Nigerian economy, foreign investors have interest in the petroleum sector because of government guarantees. Therefore, during the period 1993 – 1998 when foreign investment declined, investment in the oil sector by foreign investors increased substantially despite the clarion call to isolate the former Abacha regime (Ekpo, 1997, pp. 59-78). There is no convincing evidence that good economic governance is a necessary condition for attracting foreign investment.

Corruption

African leaders must be determined to fight corruption so as to free resources for growth and development. Corruption generates distortions by allowing prices to deviate from marginal cost pricing. Corruption impacts negatively on growth and development through various channels:

- It reduces public revenue and increases government spending hence contributing to large fiscal deficits and making it more difficult for a government to run a sound fiscal policy;
- It reduces investment and the productivity of public investment and infrastructure;
- It tends to increase income inequality by allowing those in influenctial positions to take advantage of government activities at the expense of the rest of the population;
- By distorting markets and the allocation of resources, corruption interferes with the government's ability to impose necessary regulatory controls and inspections to correct market failures and reduces the fundamental role of government, for example, in the enforcement of contracts and property rights; and
- By reducing foreign direct investment because corruption has the effect of a tax.

Obadan (1998) notes that corruption survives under conditions of bad leadership; of scarce resources and with government playing a dominant role in their allocation. When public sector wages are low and rules are unreasonable and unclear; when controls are pervasive and excessive regulations, when transparency and accountability are not taken seriously; and when punishment is not likely.

Corruption is at least a two way phenomenon. The giver and the receiver are at fault. The NEPAD initiative contends that developed countries should set up coordinated mechanism to combat corruption effectively and commit themselves to return proceeds of such practices to Africa. How to enforce this provision of NEPAD is rather difficult. However, if there is broad understanding and participation in the conceptualisation and implementation of NEPAD then people and civil organisations will bring pressure on developed countries to return such monies to Africa.

The Bretton Woods Institutions (BWIs)

The BWIs have endorsed NEPAD. Nonetheless, it is important to examine properly relationship with the World Bank and the IMF. Policy-makers must not allow the BWIs to dictate the pace of any negotiation. At best, national interest must be paramount. It must be clearly understood that adjustment programmes of the BWIs are yet to structurally transform any African economy.

Decentralization

The NEPAD programme seems elitist – top – bottom approach to policy-making. In most African countries, NEPAD remains alien and known to a few elites. This is certainly the case in Nigeria. In order for Africans to defend the programme they must be part of the decision-making process. Decentralization enhances democracy as well as efficiency in the economy. Within each African country, NEPAD should be subjected to debates at various levels of government. This is important so that African people can claim ownership.

Human Capital Development

Each African country must invest heavily in human capital formation as part of economic governance. Growth in today’s information-based global economy depends on a flexible, educated and healthy workforce. Investment in human capital promotes individual development and gives the ability to escape poverty. In the area of human capital formation, regional cooperation and the international community ought to provide more resources.

5. Conclusion and Recommendation

NEPAD is anchored on the believe that the international community particularly industrialized countries will co-operate with Africa in her desire to achieve sustainable growth and development in the 21st century. The performance of the African economy in general during the period 1980 – 2000 seems unsatisfactory. Several reasons can be attributed: inconsistent macroeconomic policies, adverse terms of trade, low savings, low investment, HIV/AIDS epidemic, insecurity, incessant conflicts. However, there is a growing consensus among African leaders that good governance, peace and security and sound macro-economic management are necessary for growth and development.

Economic governance connotes sound economic management and performance of an economy. It implies the creation, protection and enforcement of property rights without which the scope of economic activity will be limited. Economic governance and good governance are linked. For this initiative to realize its objectives within NEPAD certain key issues were examined. These include: globalization, corruption, foreign investment, human capital development, debt overhand, among others.

It is important to stress that there have been other initiatives before NEPAD. Why were these initiatives not implemented? The African leaders lacked the political will and commitment and did not have the needed resources, for example, the ECA alternative to structural adjustment. Are the present crop of African leaders committed to NEPAD? How is each leader managing his own economy before being willing to co-operate under EGI?

There is general acceptance of EGI/NEPAD by multilateral institutions, some industrialized countries. Perhaps such an acceptance will be supported with resources to implement the programme. However, negotiations with international donors must not deviate from the African agenda.

Based on our analysis of the subject matter we make the following recommendations:

- there is the need to re-examine the concept of NEPAD to capture the African reality;
- individual countries must be committed to building a vibrant, dynamic and well managed economy;
- there must be a concerted effort towards debt repudiation;
- the state must play a more active role in economic matters;
- a substantial investment in human capital formation;
- the relationship between existing regional groupings, African Union and NEPAD need to be studied; and
- economic deregulation must be guided to minimize negative shocks.

It is anticipated that the issues we have raised in this workshop will stimulate further discussion on the subject matter.

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Appendices

Table A1: Population, Income, and Economic Indications by Region

Indicator	Africa excluding South Africa	Africa	South Africa	East Asia	Latin America
Population					
Population (millions), 1997	575	612	1,281	1,751	494
Population growth (percent), 1997	2.9	2.9	1.8	1.2	1.6
Dependency ration (workers age 15-64 per dependent)	1.1	1.1	1.4	2.0	1.7
Urban population share(percent) 1997	31.1	31.7	26.6	32.2	73.7
Urban population growth (percent) 1997	5.2	4.9	3.3	3.7	2.2
Income					
GNP per capita (dollars, at market exchange rates), 1997	315	510	380	970	3,940
PPP GNP per capita, 1997	1,045	1,460	1,590	3,170	6,730
Gini index, latest year available	45.9	46.5	31.2	40.6	51.0
Economy					
GDP per capita, 1970[a]	525	546	239	157	1,216
GDP per capita, 1997[a]	336	525	449	715	1,890
Investment per capita, 1970[a]	80	130	48	37	367
Investment per capita, 1997[a]	73	92	105	252	504
Exports per capita, 1970[a]	105	175	14	23	209
Exports per capita, 1997[a]	105	163	51	199	601
Savings/GDP (percent), 1970	18.1	20.7	17.2	22.3	27.1
Savings/GDP (percent), 1997	16.3	16.6	20.0	37.5	24.0
Exports/GDP (percent), 1970	36.4	32.1	5.9	14.6	17.2
Exports/GDP (percent), 1997	33.0	31.0	11.4	27.8	31.8
Genuine domestic savings/GDP (percent), 1997	2.8	3.4	7.1	29.7	12.1
Incremental output-capital ratio (percent), 1970-97	12	10	23	23	14

Source: World Bank data

Notes:

PPP = purchasing power parity.

a = 1987 dollars.

Table A2: Human, Natural, and Physical Capital Indicators by Region

Indicator	**Africa Excluding South Africa**	**Africa**	**South Asia**	**East Asia**	**Latin America**
<u>Human capital</u>					
Human development index, 1995	39.8	40.5	48.2	63.9	76.8
Life expectancy at birth (years), 1980	47.0	47.6	53.8	64.5	64.8
Life expectancy at birth (years) 1997	51.3	52.4	62.5	68.4	69.7
Infant mortality (per 1,000 live births), 1980	119.0	115.3	119.8	56.0	59.5
Infant mortality (per 1,000)live births, 1997	92.9	89.9	70.5	37.8	31.8
Under-5 mortality (per 1,000), 1995	-	157	116	53	47
Adult illiteracy (percent), 1980	57	57	58	30	18
Adult illiteracy (percent), 1997	46	43	51	17	13
Mean years of schooling, 1960	1.5	1.5	1.5	3.4	3.4
Mean years of schooling, 1990	2.4	2.4	3.4	6.2	5.2
Access to safe water (percent) 1996	45	47	81	77	75
<u>Natural capital</u>					
Land area per capita (hectares), 1970	8.03	7.85	0.67	1.42	7.09
Land area per capita (hectares), 1977	3.89	3.85	0.37	0.91	4.06
GDP per hectare (1987 dollars), 1970	65	70	357	111	172
GDP per hectare (1987 dollars), 1997	86	136	1,214	786	466
Average annual deforestation (percent), 1990-95	0.7	0.7	0.2	0.8	0.6
<u>Physical capital</u>					
Private capital stock per worker (dollars), 1990	1,069	-	2,425	9,711	17,424
Capital flight/private wealth (percent), 1990	39	-	3	6	10

Source: World Bank data; UNDP 1998; Wood and Mayer 1998; Collier and Gunning 1999

Table A3: Cummulative Terms of Trade Effects and Financing Flows in Africa, 1970-97 (percentage of GDP)

Indicator	**Oil-exporting countries**	**South Africa**	**All other Countries**
Terms of trade effect [a]	483	189	-119
Gross resource flows [b]	196	-	288
Net resource flows[c]	124	-	234
Net resource transfers[d]	5	-	176
Grants and concessional flows	27	-	178
Foreign direct investment	-5	-	-10
Nonconcessional and portfolio flows	-18	-	7
Change in net resource transfers from 1970-73 level	27	-	125
External debt, 1997	94	20	106
Present value of external debt, 1997 [e]	91	19	83

Source: World Bank data.

Notes:

- = *Not available*

a = Capacity to import less exports of goods and services, in 1965 constant local currency prices.

b = Long-term debt (excluding IMF), foreign direct investment (net), portfolio equity flows, and official grants (excluding technical cooperation).

c = Gross resource flows less principal repayments on long-term debt.

d = Net resource flows less interest payments on long-term debt and profit remittances on foreign direct investment.

e = Sum of short-term external debt and the discounted sum of debt service payments due on public, publicly guaranteed, and private non-guaranteed long-term external debt over the life of existing loans.

Table A.4: Resource Flow & Transfers – Million $US

	Sub-Saharan Africa										
	1970	**1980**	**1990**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**
Net Resource Flows	1271	10630	15860	14985	18455	22073	15261	18622	14096	19374	15717
Net Flow of long-term debt	862	7733	5073	4962	4410	3974	750	2090	-286	-167	639
Foreign direct investment (net)	93	53	894	1864	3327	4482	5083	8226	6198	7722	6763
Portfolio equity flows	0	0	0	17	861	4869	2013	1507	681	3899	893
Grants (ex technical coop)	328	2844	9893	8151	9857	8748	7415	6699	7503	7920	7422
Memo: official net resource flows	821	6416	14516	12462	13514	11611	9368	8665	8713	8452	8520
Private net resource flows	451	4214	1344	2523	4941	10461	5893	9857	5383	10923	7196
Net Transfers	342	5325	9843	10647	9757	13745	6321	10950	6175	11373	7789
Interest on long term debt	193	2375	4361	2699	3971	3996	4814	3721	3818	3598	3117
Profit remittances on FDI	737	2930	1656	1638	4727	4332	4126	3851	4103	4403	4811
Memo: official net transfers	707	5726	11805	10511	11486	9598	6714	6585	6681	6478	6663
Private net transfers	-366	-402	-1963	136	-1728	4147	-398	4366	-506	4895	825

Table A.4 (continued)

	Sub-Saharan Africa excluding South Africa and Oil Exporting Countries*										
	1970	1980	1990	1993	1994	1995	1996	1997	1998	1999	2000
Net Resource Flows	855	8336	13243	11508	12459	12504	10648	10427	10640	10195	10168
Net Flow of long-term debt	770	5054	3795	3597	2449	2877	2424	2397	871	517	886
Foreign direct investment (net)	-128	591	681	299	910	1658	1760	2240	3193	2733	2705
Portfolio equity flows	0	0	0	17	625	292	249	110	60	42	27
Grants (ex technical coop)	213	2692	8766	7595	8475	7678	6216	5674	6516	6903	6551
Memo:official net resource flows	626	5749	12466	11452	11357	10404	8686	7938	8277	7818	8078
Private net resources flows	229	2587	776	56	1103	2100	1961	2490	2364	2377	2090
Net Transfers	452	6160	10507	9083	9835	9870	7817	7702	7781	7328	7582
Interest on long term debt	146	1366	1653	1592	1737	1751	1917	1719	1909	1827	1467
Profit remittances on FDI	256	810	1083	833	888	884	914	1006	951	1040	1120
Memo: official net transfers	542	5314	11412	10251	10067	9073	7183	6677	6926	6492	7126
Private net transfers	-89	847	-905	-1168	-231	797	634	1025	855	836	455

Source: The World Bank, 2001

Table A.5 Africa: Current Trends versus International Goals

Development Goal	Number of Countries		
	On Track	**Off Track**	**Seriously off track**
Universal primary education by 2015	21	9	13
80% primary completion by 2005	12	2	18
Halve audit illiteracy by 2005	16	19	5
Gender equality in primary and secondary enrolment by 2005	9	13	13
Reduce (a) infant and (b) child mortality to one third of 1990 level by 2015	(a) 1, (b) 1	(a) 15, (b) 10	(a) 31, (b) 35
Halve malnutrition by 2015	6	1	33