

The New Partnership for African Development: Africa's Response to its Underdevelopment

John Luiz

Econometric Research Southern Africa

University of the Witwatersrand

ABSTRACT: The economic development gap between Africa and the rest of the world has thus widened in the past four decades with no reversal of this trend in sight. Africa has recently responded to its marginalisation with a fresh initiative called the New Partnership for African Development (NEPAD) which seeks to deal with the continent's underdevelopment as a collective by addressing the sources of its marginalisation. This paper examines whether NEPAD does indeed address the causes of Africa's underdevelopment and questions the probability of its success. It argues that although NEPAD recognises and incorporates recent developments in new growth theory, the actual realisation of the vision is going to be awkward because problem areas have been glossed over in the plan.

1 Introduction

Growth theory in the 1960s predicted that convergence would occur between the rich and poor countries of the world. Diminishing returns meant that capital would flow to areas which were capital scarce and in that process the gap between countries would be reduced. However, this has not been borne out. Income levels across countries have been both diverging and converging: in 1960 there were a number of regions (East and South Asia, the Pacific and Sub Saharan Africa) with per capita incomes around a ninth to a tenth of that in high income OECD countries. By 1998 all these regions had experienced improvements in these ratios relative to the OECD (or at least remained the same). The only exception is Sub Saharan Africa (SSA) where it worsened dramatically with the per capita income ratio falling from a ninth of that in OECD countries in 1960 to an eighteenth by 1998 (UNDP, 2001: 16). The gap between SSA and the rest of the world has thus widened in the past four decades with no reversal of this trend in sight. Africa has recently responded to its marginalisation with a fresh initiative called the New Partnership for African Development (NEPAD) which seeks to deal with the continent's underdevelopment as a collective by addressing the sources of its marginalisation. This paper examines whether NEPAD does indeed address the causes of Africa's underdevelopment and questions the probability of its success.

2 The problem

By almost every measure, Africa is underperforming. This underperformance is particularly glaring when SSA is isolated (see Luiz, 2002b). Real growth per capita for SSA has lingered below 1% for the period 1965-1998. Its share of world exports has fallen from a paltry 3% in 1950 to under 1% by 1999. Real per capita inflows in 2000 were less than a third of the level reached two decades earlier. Whilst 10% of the world's population lives in SSA, the region produces just 1% of global GDP. The total combined annual economic output of these 48 economies is \$300 billion (roughly the same as Argentina's with just 30 million inhabitants) of which more than 40% is South Africa's and 11% is from Nigeria (Mills and Oppenheimer, 2002). These economic realities have had severe social implications with an average life expectancy of 49 years, 28 years lower than that in the OECD. The incidence of poverty,

disease, displacement, and illiteracy are all amongst the world's highest.

Luiz (2002b) moreover illustrates the extent of SSA's marginalisation within the new economy and argues that its inability to participate in this economy may very well be the death-knell for the continent as it pushes the region into the fringes even further. The problem of African underdevelopment therefore shows no sign of resolution and the continent's marginalisation needs to be arrested before it becomes permanently entrenched.

3 The cause

David Landes (cited in Mills and Oppenheimer, 2002) has argued 'All the ills that have hurt Latin America and the Middle East are exponentially compounded in sub-Saharan Africa: bad government, unexpected sovereignty, backward technology, inadequate education, bad climate, incompetent if not dishonest advice, poverty, hunger, disease, overpopulation - a plague of plagues.' A number of economists have attempted to explain this underdevelopment by either focusing on the internal features of African countries - ethno-linguistic fractionation, state structures, demography, geography, economic policy, and poor human capital - or by concentrating on issues of international dependency.

The roots of African underdevelopment are complex and therefore we only highlight some of those more relevant to this paper below (for a fuller exposition, see Luiz, 2002b).

Political conflict. According to the Organization of African Unity, 26 African conflicts took place between 1963 and 1998 affecting some 474 million Africans or 61% of the total population of the continent. Of these 26 conflicts, seven were classified as inter-state, and 19 as occurring within countries (African Development Bank, 2001: 114). The reasons for these conflicts relate to problems of ethnicity, power-sharing, factional rivalries, destabilization by mercenaries, human rights violations and, geopolitics. The costs associated with this violence is impossible to fully calculate but Collier (1999) identified five effects: the destruction of physical and human capital, reduction of savings, diversion of portfolios from domestic investment to capital flight, disruption of economic transactions, and distortion of government expenditure from the provision of public services to military expenditure. On a related matter, between 1960 and 1999, almost 60% of African leaders left office by being overthrown in a coup, invasion, war or by assassination. This

is not an environment conducive to doing business.

Skills and capital flight. Mills and Oppenheimer (2002) state that 60,000 doctors, engineers and university staff left Africa between 1985-90, and there since this figure has been 20,000 per year. It is estimated that the continent has lost 30% of its highly skilled workforce. This is exacerbated by the fact that the continent has the lowest educational attainment in the world. Africa has also lost \$150 billion in capital flight, with around 40% of private wealth held outside the continent.

International economy. The rapid deterioration in the terms of trade for SSA represents an important external dimension where the continent has been a victim of circumstances outside its direct control. This deterioration was also accompanied by extreme volatility, in fact four times the volatility that the industrial countries experienced (UNCTAD, 2001: 38). An UNCTAD report (2001: 35-36) estimates that if the terms of trade for SSA had stayed at the level of 1980, its share of world exports today would be almost twice as high. On the trade front, when developing countries export to industrialised countries they face tariff barriers that are four times higher than those encountered by rich countries. These barriers cost them \$100 billion a year or twice as much as they receive in aid (Oxfam, 2002).

Low investment returns and high transaction costs. Mills and Oppenheimer (2002) state that poor infrastructure, distant geographical location, low productivity and a high risk environment, in combination with lower returns on capital investments have deterred foreign investment. Note that although investment returns have risen substantially in the 1990s, high transaction costs and a high-risk premium still make the continent unattractive.

State weakness. Gelb (2001) explains that a consensus has developed that Africa's continuing economic decline has political origins, in particular the incapacity of the state to fulfil its task of managing development. The roots of state weakness in Africa are to be found in the post-independence acceptance of the colonial state form as the default model which provided little incentive for effective mobilisation of resources. Weak states were protected rather than eliminated. The colonial's states autocratic nature was extended eliminating any competitive pressure and using a system of patronage was able to maintain power. Its weakness meant that it resorted to predatory forms of control extracting resources for its own gain rather than employing them in a developmental fashion. Instead of making good policy decisions, it adopted policies of accommodation allowing it to buy support and encouraging a culture of rent seeking. Gelb furthermore believes that the weakness

of domestic business as a class in Africa contributed to the ascendancy of neo-patrimonial logic in that business had little incentive to put pressure on the state to improve governance. The state was heavily interventionist and adopted economic policy which would promote short run resource extraction (see Luiz, 1997; 2000). The result of this state weakness now permeates every facet of life in African economies.

In conclusion, Olson (1996) believes that poor countries are poor because of poor policy choices and there is much evidence to support this in SSA where leaders have distorted incentive structures through patronage systems and created perverse consequences. However, rectifying the situation is not that simple because policy is not formulated nor implemented in a vacuum. Part of the reason why the structural adjustment programmes of the 1980s were not as successful as the World Bank may have hoped for is that these countries have poor capacity and lack the institutions to do anything about it. The World Bank has as a result placed much greater emphasis on issues of governance and the building of institutions (World Bank, 2002). 'Fixing' Africa means that all these aspects of its past and its present must be recognised and addressed in a coherent manner.

4 The response

Africa has responded to its plight through the New Partnership for African Development (NEPAD). The idea of developing a new agenda for African recovery dates back to 1999 when the Millennium Partnership for the African Recovery Programme (MAP) was borne out of the OAU Summit held in Libya during September 1999.¹ Since then a number of plans were developed by various African leaders and these were finally consolidated into the new initiative called NEPAD in October 2001.

NEPAD begins with a pledge by African leaders to eradicate poverty in Africa and to place African countries both individually and collectively on a path to sustainable growth and development to thus halt the marginalisation of Africa in the globalisation process (NEPAD, 2001: 1). It aims to achieve this through the following (NEPAD, 2001: 11-12):

¹There were of course earlier plans, most notably the call for a New International Economic Order (NIEO). However, the NIEO was not Africa specific but addressed the plight of less developed countries as a whole. The other major difference is that the NIEO was heavily influenced by structuralism and dependency theory, whilst NEPAD has a much stronger liberal slant

- Strengthening the mechanisms for conflict prevention, management and resolution in the region;
- Promoting and protecting democracy and human rights by developing standards of accountability and transparency in their respective countries and regions;
- Restoring and maintaining macroeconomic stability;
- Instituting transparent legal and regulatory frameworks for financial markets and auditing of private firms and the public sector;
- Revitalising and extending the provision of education and health services;
- Building state capacity to enforce the legal framework and maintain law and order;
- Promote the development of infrastructure.

NEPAD recognises the key areas that the countries of Africa need to address to position themselves as participants in the process of economic development. It deals with issues of political governance, democracy and security, economic and corporate governance, and regional approaches to development.

Fundamentally, NEPAD declares Africa open for business and this is a fundamental paradigm shift from the inward-looking statism of the past. Instead of resisting globalisation, Africa is embracing it. The document emphasises the importance of markets and of providing an environment conducive to foreign direct investment. It asks the global community to enter into a partnership with the continent on an equal footing because it is in their interests to do so. In particular, it envisages the following responsibilities for the developed world:

- Support materially the mechanisms for conflict resolution in Africa;
- Accelerate debt reduction for highly indebted African countries and reverse the declines in ODA;
- Improve African terms of trade and market access;

- Encourage investment in Africa;
- Secure access to essential drugs for Africans suffering from infectious disease;
- Promote technological advancement on the continent;
- Ensure that the World Bank and other multilateral development finance institutions participate as investors in key economic infrastructure projects.

A significant role is therefore envisaged for the developed world and in return African countries will ensure sound economic and political management.

5 The debate

NEPAD has not had an uncontroversial birth and has come in for a fair amount of criticism from a variety of different sources. This section highlights some of the major problems hindering the success of the plan.

5.1 The bargain

NEPAD is fundamentally a straightforward barter with the global community. Mills and Oppenheimer (2002: 4) sees the deal as follows:

Ok, we Africans admittedly find ourselves in a pretty desperate situation. We exist in, for the most part, underdeveloped, small, weak, imperfectly formed states. This to a great extent accounts for the history of seemingly interminable conflict and poverty. How can we break this cycle? We propose that Africa establish a new developmental framework, without which we will be condemned to a slow improvement process which will, in itself, give rise to further instability and decay. We will commit ourselves to good governance and democracy, in return for which we are promised increased, yet targeted developmental assistance and improved trade access. External loans and aid will be used, primarily, to improve infrastructure and cross-border connectivity, in turn, facilitating trade, investment, growth, prosperity and stability.

The problem with this approach is that it is not clear as to what the developed world will be getting out of this bargain. For a barter to occur both parties must have something to offer which is of value to the other. Now it is clear that the industrialised world has much to offer Africa in terms of resources and so forth but what does Africa have to offer? African states are saying that they will bring improved governance to the table but that is of value to their own constituency. The governments of the developed world are answerable to their own electorate and frankly NEPAD is not going to be an easy sell. The people of the industrialised world are tired of the excuses of the continent² and have other priorities at the moment such as the global economic slowdown and the war on terrorism.³ Africa is not a high priority for the average American. There is not a powerful constituency lobbying the African cause in industrialised countries. Whilst the Jewish voice in America is a prevailing influence and ensures that the Middle East remains foremost on the agenda, the African diaspora does not exert this sort of influence.⁴ Thus for NEPAD to work it actually needs to take a step back and address the issue of how to increase the prominence of the African cause. It cannot just assume that the people of First World are going to be willing to pour billions into the continent because African governments are now committing themselves to improved governance. At the very least, people in the First World will want some evidence that this is indeed a new dawn for African governance before committing large sums of money.

5.2 The commitment to democracy

Whilst NEPAD (2001: 17) proclaims that ‘development is impossible in the absence of true democracy, respect for human rights, peace and governance’, the verdict is still out as to whether even those at the forefront of NEPAD are truly committed to this ideal. The way in which Africa responded (or failed

²The paper is not justifying this attitude but it is important to realise this because it has major implications for how an African development plan is approached

³The war on terrorism would clearly be facilitated by reducing the levels of poverty and marginalisation around the world but this has not been the approach taken by the Bush administration.

⁴The African-American community has, especially since the 1980s, increasingly appreciated their African roots but has not yet mobilised sufficiently around the African cause probably because their own plight in America leaves much to be desired. Those of more recent African descent are still a small, marginalised community within America and are not able to determine the political agenda.

to respond) to the Zimbabwe elections in 2002 highlights the weakness of this document.⁵ One renegade country brought the entire continent into disrepute and put the plan in jeopardy. The industrialised countries responded by questioning the very basis of NEPAD and Africa's commitment to it. It will be essential to marginalize non-compliers within NEPAD and the African Union and to deny them access in terms of membership and benefits.

On a related matter, South Africa's President Mbeki, who has been one of the primary architects of the NEPAD vision, has come in for criticism domestically in terms of his own commitment to democracy. His ruling party the African National Congress (ANC) has marginalised the official opposition excluding them from various committees. A top Kenyan minister has commented on this phenomenon blaming African politicians for undermining the democratic process: 'Relations between government and opposition parties in Africa are often characterised by rancour, acrimony and outright hostility. Ruling parties often adopt a posture of crude majority, while opposition takes the posture of obstruction' (cited Mail and Guardian online, 28 June 2002). This has certainly been the case in South Africa under the Mbeki presidency. The ANC has also resorted to co-option to 'silence' the opposition. Top trade unionists have repeatedly been co-opted into government, and the ANC has incorporated or is attempting to incorporate various other political parties such as the New National Party and the United Democratic Movement. It has co-opted the leader of AZAPO into a cabinet position and has done likewise with the Inkatha Freedom Party. This serves to undermine the very basis of democracy which is premised on credible opposition and choice. The ANC has been quite blatant about this which leads one to question their interpretation of democracy. Within the ANC alliance there has also been an autocratic trend with debate increasingly silenced and disapproved of. This is the picture emerging in Africa's dominant economy, in the country which has led NEPAD and it must raise concerns over the very basis of NEPAD's commitment to democracy.

⁵Observer missions at the Zimbabwe elections from the Southern African Development Community, Nigeria and South Africa spoke of the 'legitimacy' of the elections. The South African Minister of Foreign Affairs stated in South Africa's Parliament on 13 March 2002 that 'In terms of the Zimbabwe situation, NEPAD is not currently a relevant framework of reference' (cited in Makka, 2002). Africa has missed a good opportunity to signal its credibility in its commitment to the pursuit of democracy. Even though Zimbabwe is not a member of NEPAD, the countries at the forefront of NEPAD, such as South Africa, refused to speak out against that regime and in fact tacitly supported it.

5.3 The role of civil society

NEPAD has marketed itself as a plan for Africa by Africans. It claims that the agenda is being set by the African people through their own initiative. But this is not entirely true because there was, in fact, very little, if any, consultation with civil society.⁶ Academics, women, social, labour and environmental movements were not consulted during the drafting of NEPAD. Whilst President Mbeki has denied that there has been a lack of consultation around NEPAD pointing out that the document is available and open to comment, the reality is that the discussion is now around issues of implementation rather than around that of ideological origin.⁷ It has therefore been accused of being elitist and of trying to impose a foreign vision on the African people (see Bond, 2002).

Gelb (2001: 31) points out the importance of actively engaging with civil society organisations:

the role of NEPAD is to complement the weak nation-state in African countries, and states must engage with society in performing their tasks. Furthermore, engagement with non-state actors is likely to be very helpful - in the African context - for maintaining the "measure of independence" necessary for leadership. By bringing another player (or set of players) within the country into the equation, the probability of the government renegeing on its commitments is reduced. If governance is to be improved in these societies, a demand for it must be constructed...

In order for democracy to be consolidated in an environment of weak institutions and, as yet, untested checks and balances, it is vital that civil society take on this role of watchdog. If civil society has not bought into the vision then who will ensure a country's compliance? It will be a case of the elite in one country keeping the elite in another country in check - the Zimbabwe example does not encourage this approach. NEPAD's vision needs to be seen by the African people almost as a continental constitution and for a constitution to be worth more than the paper it is written on, it must have buy in from the people who must be willing to defend it at all costs. This

⁶The first time almost anyone saw the document was once it had been finalised and published on the internet towards the end of 2001.

⁷Interestingly, the South African government's macroeconomic strategy (GEAR) adopted in 1996 was subject to similar criticism

is not the case at the moment where the average African is unaware of this programme and its content. It is clearly impossible to be fully consultative especially on such an encompassing plan because then nothing is likely to happen as it becomes bogged down in disagreement over details but there must at a minimum be consultation over the broad vision and the desired outcomes which has not been the case with NEPAD.

5.4 The weak state

Whilst NEPAD acknowledges that the state has a major role to play in promoting economic growth and development it does not adequately confront the reality that many states lack the capacity to fulfil this role. Gelb (2001: 1) argues that 'most African states are ill-equipped to address the particular challenges posed by globalisation, making a strong case for collective action by states.' The roots of this state weakness have been discussed above but suffice it to say that the state in Africa represents a highly contested arena with the state engaging in neo-patrimonial activities, handing out rents in return for support. NEPAD does not address the issue of how this cycle will be broken. Rather it maintains that by acting as a collective African states will be kept in check but this does not adequately deal with the internal pathologies which have arisen in the relationship between state and society in many African countries. Weak states inevitably resort to governance by accommodation - resources in exchange for patronage. There is a very real danger that as more resources flow to these states so the system of patronage will become all the more lucrative and the state arena become even further contested.

NEPAD is correct in its advocacy that programmes should be run on the basis of regions because of the weakness of individual states but it has not fully explored these implications. There are already examples in Africa where stronger states have supported weaker ones in their developmental efforts to mutual gain. The co-operation between Mozambique and South Africa is a case in point. These two countries have co-operated on a number of spatial development initiatives including areas of transport, tourism, electricity, manufacturing, and mining which have benefited both countries. This relationship initially started as an inter-governmental one but quickly resulted in private sector involvement. There are real advantages to acting as a collective.

5.5 The finances

NEPAD sets itself the goal of attaining a 7% annual GDP growth rate and reducing poverty by half by 2015 and to achieve this it believes that Africa needs to fill an annual resource gap of 12% of GDP, or \$64 billion.⁸ The bulk of the financial resources will have to come from Overseas Development Assistance (ODA) and debt relief. It also predicts that resource flows should improve as advances in governance occurs in African countries. NEPAD's African Peer Review Mechanism will assess which countries are complying with the governance criteria and this will have implications for which countries benefit from these resources. Makka (2002: 4) raises a number of other concerns in terms of financing:

- It offers very little by way of assisting Africa to become more self reliant in financing;
- It does not provide any ideas regarding improving Africa's weak financial institutions, particularly the African Development Bank;
- It does not outline any business plans for its priority projects;
- It does not say anything about a contingency plan in the event that donor countries are not forthcoming with the required resources.⁹

Likewise, NEPAD does not address the issue of who is going to administer the funds given the weak capacity in many of these countries. Even in South Africa (by far the dominant economy) the government has been plagued by inefficiencies and the inability of some departments to spend their annual allocations resulting in accumulating roll-overs. The use of foreign aid has generally been less than satisfactory which leads one to wonder how it will handle increased donor funds. These issues are ignored by NEPAD.

⁸Easterly (2001) criticises this old-fashioned approach to growth which emphasises resource gaps and demonstrates that in terms of new growth theory that growth is a more complex phenomenon. Technology, human capital, institutions, political stability and so forth are important components of the growth process. In other words, growth is not merely an outcome of savings and investment.

⁹In fact at the G-8 summit in Canada in June 2002 the industrialised countries committed to only a fraction of the resources that NEPAD was calling for.

5.6 Intra-regional issues

Some have questioned whether it is appropriate or indeed possible to address the issues of underdevelopment on a continent-wide basis. However, NEPAD does lay the onus on each country to give effect to the NEPAD vision. In other words, it is not the case that NEPAD makes a domestic strategy redundant, rather it gives impetus to the need for a domestic development plan which feeds into NEPAD. Also there is a clear need for a continent-wide approach to the marginalisation because the world sees the problem of one African country as the problem of the whole. For example, the risk associated with investing in South Africa is linked to its location in Africa. When the South African Rand depreciated by 45% during 2001, despite enormously positive macroeconomic fundamentals, this was linked to the crisis in Zimbabwe. Implicitly NEPAD is about reducing the risk perception of doing business in Africa. It is recognised that when one African country misbehaves it has a much larger regional effect.

Gelb (2001: 25) sees NEPAD as a ‘club’ of African Heads of State which collectively undertake to improve governance amongst themselves. The benefits of improved governance do not only accrue to one’s own country but also has a positive spillover in the other member countries of the club: ‘Thus, *if it succeeds*, the club will act as a signalling device to investors (including providers of ODA) to attach a lower risk premium to members.’¹⁰ He points out that the essential features of a club are that membership is voluntary, and that the benefits deriving from membership are non-rivalrous but excludable. In other words, countries can be barred from sharing the benefits. To prevent free-riding, an entry fee must be imposed and in NEPAD’s case this will be the willingness to commit to the underlying principles of good governance and club rules concerning monitoring and the imposition of penalties. Therefore NEPAD must entail both positive and negative incentives. Non-compliers must face marginalisation and reduced resource provision.

Thus the first intra-regional issue is that of recognising that externalities are at work which requires that the continent engage in this sort of collective plan. The actions of one country spillover and affect the performance of another. However, a number of questions arise as a result of this. First, how

¹⁰Gelb (2001) states that the club is intended to eliminate the ‘African dummy’ - a term which has been coined by econometricians who have repeatedly found that there is a regional effect/explanation to low growth in Africa. In other words, econometric studies find that including an ‘African dummy’ tends to be highly significant (see Englebort, 2000).

will non-NEPAD African countries respond to what will increasingly become a zero sum game? NEPAD has the potential to split the African countries into two groups - NEPAD members who adopt the principles of good governance, and non-NEPAD members who do not. NEPAD entails a shift of resources away from the non-compliers to the compliers and it is unlikely that those who suffer a siphoning off of resources will take it in their stride. They have two options - they can either succumb to the pressure and join the NEPAD club by abiding by its principles (which is clearly the intent) or they can become even more renegade, setting out to undermine NEPAD and its members, and potentially even engaging in dirty tricks in neighbouring countries. Unfortunately, one cannot imagine leaders such as Mugabe and Gaddafi ever complying with the NEPAD principles and therefore only the latter avenue will be available to them. This destabilisation could negate the very *raison d'être* of NEPAD.

The second question relates to whether it is a positive sum game intra-NEPAD? Whilst it is clear that there are positive spillovers attached to NEPAD whereby the good governance of one's neighbours feeds through beneficially into one's own performance, it is also likely that rivalry may be present. Whilst Gelb (2001) points out that belonging to a club is non-rivalrous, it may in fact entail some form of rivalry in an environment in which resources are limited. Thus even though NEPAD may entail increased resource flows to the compliers there will still be competition for those resources. Once again this can take on both positive and negative characteristics. The competition could lead to further improvements as countries try to outdo each other in their compliance or it can become rather destructive. This could take on the form of a 'race to the bottom' whereby countries in their eagerness to attract resources keep lowering tax rates and labour laws for example. Or once again countries may undermine each other in subtle ways (it is clearly not in their interest to do so because of the spillover effects but elements of it may nonetheless appear especially if resources are more constrained than anticipated).

Another intra-regional issue revolves around the immense differences between African countries in their development profiles and how one goes about integrating such disparate members. The 53 African countries had a combined GDP in 2000 of \$590,570 million of which South Africa contributed \$170,431 million (over 28%) of the total (despite only having 5% of the land surface and population). There are countries with populations of under a hundred thousand whilst Nigeria has a population of over 110 million. GNP

per capita ranges from a low of \$100 to a high of \$6500. Consumer price inflation ranges from -2.6% to 540%. Life expectancy ranges from 42 years to 72 years. Adult illiteracy rates range from 12% to 85% (African Development Bank, 2001). There are countries in Africa with no internet service providers, yet Johannesburg is seen as one of the world's 50 most important technology hubs (see Luiz, 2002b). The continent itself is made up of many worlds and it is not clear how they would all participate in the NEPAD plan because their starting points are so different and their needs so diverse.

Perhaps an even more fundamental problem is that NEPAD completely overlooks the lack of African unity in any real sense. For example, the Central African group of countries have been bogged down in war for the past decade and the idea of them acting as a developmental club seems romantic. At a grassroots level there is also a very real manifestation of xenophobia between Africans which NEPAD ignores. In South Africa, xenophobia is on the rise as foreigners are seen as the source of unemployment and other social pathologies. This xenophobia is mainly displayed towards Africans of other nationalities and not at non-black immigrants (Makka, 2002). There is also a very real divide between North Africa and SSA with many questioning the divided loyalties of North Africa.

5.7 Management of programme

NEPAD leaves many questions unanswered, especially as regards implementation and timeframes, and does not present tangible business plans attached to priority areas. For example, it does not deal with the issues of micro versus macro management of the programme. How are countries going to feed into the broader programme? In other words, what is going to be dealt with at country level and what will be dealt with at overall programme level and how will this occur? Nor does it adequately address the role of the African business sector and what will be expected from them? Will implementation occur through public-private partnerships?

NEPAD also has very little to say about how it will support local entrepreneurship. The focus is very much on providing an environment attractive to foreign capital. However, if NEPAD is to succeed then the African business sector will have to actively participate in the programme to ensure that it is sustainable. It is not clear how this will occur. Furthermore, NEPAD seems to have a big business, big project bias but the smaller African businesses must also benefit. A particular problem in African countries is that

the small business sectors tend to exist on the periphery outside the economic mainstream. This is in contrast to successful small business economies like Taiwan's where it is very well integrated into the broader economy. There are many reasons why the small business sector is so marginalised in Africa (see Luiz, 2002a) including issues of finance and training which NEPAD should acknowledge. However, probably the most important reason why small business does not thrive in many African countries is because of the lack of links between big and small businesses. There is a danger that NEPAD, as it stands at the moment, could further exacerbate this tendency.

5.8 NEPAD and the African Union

The launch of the African Union (AU) in South Africa in July 2002, whereby it replaced the Organisation of African Unity, presents an interesting juncture in recent African history. Gelb (2001: 34) argues that this fluidity 'could facilitate the NEPAD meeting its most severe challenges'. Certainly as the AU redefines the nature of the relationship between African states, with a vision for continental integration, an opportunity presents itself for the continent to shed its past and adopt a new development path. The AU is unlikely to succeed if NEPAD fails and yet the relationship between this plan and this body is unclear. There is a clear intention that NEPAD should be the development plan for the AU but this begs various questions.

NEPAD is based upon the concept of an exclusive club with members having to qualify on the basis of democratic values to belong. The AU is based on the principle of inclusivity (all countries on the continent, with the exception of Morocco are members). Maloka (2002) affirms that the AU includes states whose governance and practices are inconsistent with the objectives and principles of the AU. He maintains that the dilemma is whether such member states should be excluded from the union, along the lines of NEPAD, or whether they should be provided with a window period allowing them to institute the necessary reforms that will align their countries with the provisions of the AU Constitutive Act. However, there are serious warning signs that this view is romantic and that NEPAD may be threatened. For example, President Mbeki who was appointed as the AU's first chairman, spoke at the AU launch of how the destiny of Africans would be redefined by its commitment to sustainable development, peace and respect for human rights: 'Through our actions let us proclaim to the world that this is a continent of democracy, a continent of democratic institutions and culture.'

Indeed, a continent of good governance, where people participate and the rule of law is upheld.’ Shortly afterwards the Libyan leader Muammar Gaddafi addressed the rally as follows: ‘This is the day of Africa, a free Africa! No more slavery, no more colonialism! Africa for the Africans! The land is ours! You are the masters of your continent.’ These contrasting speeches reveal deep divisions about the future of the continent and the meaning of the AU. Gaddafi has also been accused of publicly denouncing NEPAD as pandering to the colonial masters: ‘If they (the West) want to impose conditions, we refuse that We are not children that need someone to teach us We have our own style of life.’ Yet quite extraordinarily Gaddafi has been appointed to the NEPAD implementation committee - a clear contradiction in terms. There is a very real sense that although the African leaders signed the AU Constitutive Act that there was either a misinterpretation of the AU vision or otherwise deliberate deception by some signatories. This is not a foundation to build on and there were clear tensions at the AU launch with Gaddafi making some bizarre proposals relating to unification necessitating an extraordinary session of the Assembly six months after the launch.

The relationship between NEPAD and the AU is thus a nebulous one and potentially fraught with difficulties. Whilst NEPAD will report to the AU it must be protected from its control. A day may very well arise when NEPAD and the AU become so incompatible as to undermine the principle of African unity with NEPAD complying countries being forced to breakaway from this body.

6 Conclusion: The way forward

NEPAD is a major step in the right direction. It recognises the internal dimensions of Africa’s underdevelopment and aims to provide a platform for a new growth trajectory. New growth theory has placed enormous emphasis on getting the incentives right to stimulate productive activity. This requires removing the obstacles to growth and creating the necessary institutions which will ensure that the growth is sustainable. Old growth theory based on the Harrod-Domar model emphasised resource gaps and the importance of savings and investment. Foreign aid was seen as one way of meeting these resource gaps. Growth was thus seen as a technical relationship between savings and investment. New growth theory has highlighted the importance of the broader institutional environment within which development must oc-

cur: key areas include human capital and infrastructural investment, political stability, good governance, democratic values, individual liberties, and the protection of property rights. These conditions have been recognised by the NEPAD which has moved beyond the call for merely financing resource gaps but indeed has acknowledged the wider growth criteria. One can therefore not underestimate the importance of this first step - the adoption of NEPAD.

NEPAD will be a difficult sell as long as Africans themselves show a lack of confidence in the continent's future. Intra-African investment flows and intra-African trade still account for small proportions of the totals. For example, intra-African trade makes up less than 10% of Africa's trade volume. This goes back to the earlier point that was made concerning the fallacy of unity or integration in Africa. NEPAD must exist outside the illusion of an African Union, especially in the short run. The dream of such a Union is just that, a dream. NEPAD needs to be more concrete and needs to have an identity outside the Union in case the latter fails. Whilst the African Union may have been modelled after the European Union (EU) it has very little in common with it. The EU grew organically out of the Iron, Steel and Coal Community. Today it is made up of fifteen like-minded countries that have similar economies and are tied into convergent macroeconomic policies. Indeed the latter was a precondition for the adoption of the Euro. The AU, on the other hand, will start with 52 members that are anything but like-minded. Their economic structures are poles apart, their macroeconomic performance include countries experiencing deflation to those experiencing triple digit inflation, their commitment to democracy varies and indeed their interpretation of democracy diverge, and practically none of them actually want to see the free movement of capital, goods and people. Johnson (2002) argues that a reality check is called for and that the AU is built on childlike assumptions of modelling itself on the EU. He states that if Africa is to have a common currency then it is clearly going to have to be the US dollar because it is already the preferred currency in a majority of countries which shows a lack of confidence in their own governments. He suggests that if President Mbeki was really committed to African unity than he would take Africa's only successful free trade area, the Southern African Customs Union (South Africa, Lesotho, Botswana, Swaziland and Namibia), use his muscle to impose democratic rules, then progressively offer membership to other contiguous states, and gradually pull countries in from further afield. Once it becomes clear that stable democracy and the free movement of goods, people and capital is guaranteed, then foreign investment will flow in, causing even

more African states to seek membership. As with the EU a small core would define the initial rules, make their experiment succeed and then impose tough conditions of compliance on those wishing to join. This AU would in the end encompass all of SSA. The bigger and more successful it became the more it would be able to bargain with the EU and US as a bloc with real leverage. Johnson's suggestion is founded on a much more realistic understanding of where Africa is at present and indeed on a better understanding of how successful economic unions emerge and grow.

The question now is where this leaves NEPAD? NEPAD's future is not dependent on the AU although the AU has no chance of succeeding without NEPAD. NEPAD's principles are sound but they need to be more grounded in the reality of the present. Having grand visions are important but even more important are the intermediate steps towards the realisation of that vision. This is the real challenge which NEPAD faces namely the tangible implementation of projects step by step and the gradual consolidation of democratic systems and good governance. The impression which NEPAD gives is that not enough thought has been given to how the vision needs to emerge on a day by day basis. If the money were indeed to emerge, how would we manage and spend it on a daily basis? NEPAD has made much reference to the success of the Marshall Plan but the reality is that total aid flows of the Marshall Plan in 1948-52 probably never exceeded 2.5% of Western Europe's GDP. By comparison, by 1996, excluding Nigeria and South Africa, on average African countries received 12.3% of GDP in aid (cited in Mills and Oppenheimer, 2002: 5). The real success of the Marshall Plan does not lie in the mobilisation of resources (which has been NEPAD's focus) but rather in how those resources were managed and utilised in determined ways by appropriate institutions. Herein lies an important lesson for the NEPAD leaders.

References

- African Development Bank. (2001) *African Development Report 2001*. New York: Oxford University Press.
- Bond,P. (2002) *Thabo Mbeki's New Partnership for Africa's Development: Breaking or Shining the Chains of Global Apartheid?* http://foreignpolicy-infocus.org/papers/nepad/index_body.html

Collier, P. (1999) 'On the Economic Consequences of Civil War.' *Oxford Economic Papers*. 51: 168-181.

Easterly, W. (2001) *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics*. Cambridge: MIT Press.

Englebert, P. (2000) 'Solving the Mystery of the Africa Dummy.' *World Development*. 28(10): 1821-1835.

Gelb, S. (2001) *South Africa's Role and Importance in Africa and for the Development of the African Agenda*. Johannesburg: The Edge Institute.

Johnson, R. (2002) 'Reality Inspectors Sorely Needed at the Launch of the AU.' *Business Day* 17 July 2002, <http://www.bday.co.za>

Luiz, J.M. (1997) 'The Political Economy of Zaire: The Case of a Predatory State.' *Africa Insight*. 27(4): 247-253.

Luiz, J.M. (2000) 'The Politics of State, Society and Economy.' *International Journal of Social Economics*. 27(3): 227-244.

Luiz, J.M. (2002a) 'Small Business Development, Entrepreneurship and Expanding the Business Sector in a Developing Economy: The Case of South Africa.' *The Journal of Applied Business Research*. 18(2): 53-68.

Luiz, J.M. (2002b) *The Wealth of Some and the Poverty of Sub Saharan Africa*. Johannesburg: University of the Witwatersrand, mimeo.

Mail and Guardian Online. (2002) African Politicians 'Undermine the democracy process'. 28 June 2002. <http://www.mg.co.za>

Makka, A. 2002. NEPAD: *The Answer to Africa's Developmental Challenges for the 21st Century?* Johannesburg: University of the Witwatersrand, mimeo.

Maloka, E. (2002) 'The Biggest Show in Town.' *Sunday Times*. 7 July 2002: 15.

Mills, G. and Oppenheimer, J. (2002) *Making Africa Succeed*. [http://www.weforum.org/site/homepublic.nsf/Content/Africa=](http://www.weforum.org/site/homepublic.nsf/Content/Africa=Economic+Summit+2002)

[Economic+Summit+2002\](http://www.weforum.org/site/homepublic.nsf/Content/Africa=Economic+Summit+2002)

NEPAD. (2001) *The New Partnership for Africa's Development*. Abuja.

Olson, M. (1996) 'Big Bills Left on the Sidewalk: Why Some Nations are Rich, and Others Poor.' *Journal of Economic Perspectives*. 10(2): 3-24.

OXFAM. (2002) *Rigged Rules and Double Standards: Trade, Globalisation, and the Fight Against Poverty*. London.

UNCTAD. (2001) *Economic Development in Africa: Performance, Prospects and Policy Issues*. New York: United Nations.

UNDP. (2001) *Human Development Report 2001*. New York: Oxford University Press.

World Bank. (2002) *World Development Report 2002*. Washington, D.C.: Oxford University Press.