

UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG: DEPARTMENT
OF INTERNATIONAL RELATIONS

NEPAD's first eight years trade and investment report (2001-2009): successes and failures

A research report submitted to the faculty of Arts, University of the Witwatersrand, Johannesburg, in fulfillment of the requirements for the Degree of Master of International Relations by coursework and research report

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Declaration

I bear witness that this research report is my own unaided work. It is submitted for the Degree of Master of Arts in International Relations at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any other degree or examination at any other university.

SA. Said Antioissi

June 25th, 2010

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List of Acronyms

%	Per cent
ACP	Africa, the Caribbean and the Pacific States
AfDB	African Development Bank
AGOA	African Growth and Opportunity Act
APR	African Peer Review
APRM	African Peer Review Mechanism
AU	African Union
CAADP	Comprehensive Africa Agriculture Development
CFI	Capital Flow Initiative
CRM	Country Review Mission
DAC	Development Assistance Committee
DPG	Democracy and Political Governance
EBA	Everything But Arms
ECA	Economic Commission for Africa
EGM	Economic Governance and Management
EU	European Union
FDI	Foreign Direct Investment
G-8	Group Eight
G8 AAP	G8 Africa Action Plan
GDP	Gross Domestic Product
GNI	Gross National Income
GPS	Generalized System of Preferences
HSGIC	Heads of State and Government Implementation Committee
HIPCs	Heavy Indebted Poor Countries
ICA	Infrastructure Consortium for Africa
IDA	International Development Association
IFIs	International Financial Institutions

IMF	International Monetary Fund
IR	International Relations
MAI	Market Access Initiative
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
NEPAD	New Partnership for Africa’s Development
NEPAD-IPPF	NEPAD Infrastructure Project Preparation Facility
NGOs	Non-Governmental Organizations
NORAD	Norwegian Agency for Development Cooperation
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organization of Economic Cooperation and Development
PPP	Public-Private sector Partnership Program
RECs	Regional Economic Communities
RMS	Resource Mobilization Strategy
SADC	Southern African Development Community
SAIIA	South African Institute of International Affairs
SIDA	International Development Cooperation Agency
SPS	Sanitary and Phyto-Sanitary
SSA	sub-Saharan Africa
STAP	Short –Term Action Plan
U.S.A	United States of America
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa

UNIDO	United Nations Industrial Development Organization
US\$	United States Dollars
WIR	World Investment Report
WTO	World Trade Organization

Annex

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Abstract

This study seeks to explore whether Africa's strategic partnership with industrial countries in the areas of trade and investment, as envisaged by the New Partnership for Africa's Development (NEPAD), promotes economic development in Africa. This question is triggered by the fact that NEPAD has received mixed attention from the African and the international community. The programme is promoted by the liberal scholars while in the meantime criticized by those belonging to the dependency school of thoughts. NEPAD stems from liberal ideas that trade is a positive sum-game, but its reliance on foreign investment could also create a dependency dilemma for Africa. Nonetheless, the study hypothesizes that the NEPAD strategic trade and investment partnership seems to be a realistic and beneficial project for the development of Africa. In the light of the above, the research seeks to measure trade and investment flows between Africa and the developed world since the inception of NEPAD.

Chapter 1: Introduction, motivation and purpose

1. Hypothesis

The NEPAD strategic trade and investment partnership is a realistic and beneficial project for the development of Africa.

2. Introduction

Over the last two decades, Africa has not been successful in getting a fair share of global trade and foreign direct investment (FDI). For example, Africa's share of world FDI declined from 2.2 % in 1992 to 0.8% in 2000. Its share value of world merchandize export also decreased from 6.3 % in 1980 to 2.5 % in 2000.¹ This poor record is due to weak supply capacity such as competition and market access despite substantial rise in export revenues in recent years.² Also, political and macroeconomic instability, low growth and weak infrastructure, poor governance, and ineffective marketing strategies are amongst other issues to blame for lower FDI inflows into Africa.³

Post 2000, Africa started to witness some improvements with world trade and investments averaging 3% in 2007.⁴ Although it is not clear whether such improvements can be attributed to continental initiatives such as The New Partnership for Africa's Development (NEPAD) it is difficult to ignore the impact of rhetoric such as good governance, encouragement of intra-regional trade and developmental partnership.

¹ Dupasquier, C. and Osakwe, P.N.: "Foreign Direct Investment in Africa: Performance, Challenges and Responsibilities" in African Trade Policy Centre (ATPC), No. 21, Economic Commission for Africa, 2005. <http://www.uneca.org/ATPC/Work%20in%20progress/21.pdf>

² UNCTAD: Economic Development in Africa: Export Performance Following Trade Liberalization: Some Patterns and Policy Perspectives, United Nations, New York and Geneva, 2008, p. 1. http://www.unctad.org/en/docs/aldcafrica2008_en.pdf

³ Dupasquier, C. and Osakwe, P.N Op. Cit. 22

⁴ UNCTAD Op. Cit. 1 See also UNCTAD: World Investment Report: Transnational Corporations and the Infrastructure Challenge, United Nations, New York and Geneva, 2008, p. 18. http://www.unctad.org/en/docs/wir2008_en.pdf

In this context, it seems like Africa could recover its market share if the NEPAD plan is taken seriously and implemented by African leaders. Indeed, African countries are encouraged by its development partners to implement regional trade protocols in line with the NEPAD priorities in order to promote intra-African trade and economic integration in Africa.⁵ In other words, regional economic integration and cooperation seems to be the way forward in rectifying global trade imbalance in Africa. According to The United Nations Conference on Trade and Development (UNCTAD), given the strong political support for NEPAD in the international community, it is expected that these efforts will be complemented by their development partners.⁶

The NEPAD programme is aimed at shaping African integration into the dominant global forces and hence a higher degree of participation in international political and economic affairs.⁷ In essence, NEPAD's main vision is to create the conditions and the environment conducive to trade and long-term investment for Africa. Hence, the programme encourages issues such as "the liberalization of trade, the reform of financial and commodity and other markets, the functioning of multilateral institutions, development assistance and resources transfers from the developed to the developing world."⁸ Arguably, it seems if one goes along these lines, NEPAD will allow Africa to play an effective part in the global economic map and body politics.

However, because of its neo-liberal policies, and its emphasis on partnership rather than self-reliance, there are fears that NEPAD could be an over-ambitious project. Critics argue that, NEPAD has been "the brainchild of western creditors, thus enjoying more legitimacy abroad and little credibility at home."⁹ Nonetheless, it becomes difficult to conceptualise "self-reliance" in a globalized and interdependent world. Yet considering

⁵ *Ibid.* 83

⁶ UNCTAD *Op. Cit.* 54

⁷ Melber, H.: "South Africa and NEPAD-quo vadis?" in *Policy Review Brief*, No. 31, Centre for Policy Study, Johannesburg, 2004, p. 2.

⁸ Landsberg, C. "The Birth and Evolution of NEPAD" in Akokpari, J. Ndinga-Muvumba, A. and T. Murithi (eds): *the African Union and its Institutions*, Fanele, Cape Town, 2008, p. 214.

⁹ Hills, M.: *The AU/NEPAD and Africa's Evolving Governance and Security Architecture: A Policy Advisory Group Meeting*, the Centre for Conflict Resolution, Cape Town, and the Centre for Policy Studies, Johannesburg, South Africa, 2004, p. 13. Citing, Cheik Tidiane Gadio

the un-competitiveness of the African economies, it seems the project's critics have a case, nevertheless, taking into account the dominance of liberalism in international political economy, there is a merit in the argument of the project's proponents that NEPAD is a beneficial project for Africa.

In light of these different interpretations of the programme, the study seeks to explore whether Africa's strategic partnership with industrial countries in the areas of trade and investment, as envisaged by the NEPAD, promotes economic development in Africa. This question is triggered by the fact that NEPAD has received mixed attention from both the African and the international community. While largely informed by the liberal paradigm which views trade relationship as a positive sum-game, NEPAD's reliance on foreign investment could also create a dependency dilemma for Africa.

3. Statement of the Problem

There are contending views on the NEPAD's strategic trade and investment approach on economic development in Africa. Critics of this programme largely informed by dependency thinking, postulate that, since Africa is uncompetitive in the global market, trade and investment partnership with the industrialized countries as envisaged by the NEPAD could further marginalize the continent's economies in the global market.

On the other hand, the proponents of NEPAD - influenced by the liberal paradigm - posit that the programme is a viable tool to promote economic development in Africa by way of facilitating the continent's trade with the outside world which could in turn attract foreign investment into the region. Clearly, NEPAD's vision of constructing a 'strategic trade and investment partnership' between Africa and the industrialized world remains under scrutiny. This research seeks to explore the successes and limitations of NEPAD's strategic trade and investment approach since the establishment of the programme in 2001.

4. Aim and Objective

There has been a significant literature on NEPAD but there has not been a conclusive study on the nature of this programme. Particularly, not enough has been said about the nature of the relationship between NEPAD and its external partners in trade and investment matters. Furthermore, NEPAD is often judged and assessed in terms of its ideological landscape. Indeed, the assessment of NEPAD should be based on efficiency or its capacity to deliver trade and investment for instance.

Therefore, the purpose of this study is to analyse the extent to which strategic partnership with industrialized countries in terms of trade and investment as sketched out by the NEPAD plan could affect the economic growth and development of Africa. In that light, the study could contribute in defining and explaining the nature of the NEPAD strategy. This research, therefore, will be guided by the following questions:

- What kind of incentives does NEPAD create to attract trade and investment flow into Africa?
- Has NEPAD brought about trade and investment to the African continent since its inception? In other words, what are the losses and benefits so far in relation to Africa's development since the establishment of NEPAD and what conditions have led to those results?
- Using Ghana as a case study, does commitment to good governance through peer review lead to greater resources flow for development as envisaged by NEPAD?

Therefore, to assess the contribution of NEPAD to Africa, one should first begin by debating this project, its principle actors, as well as the principles and conditions governing its engagement with the external world. This study aims to understand the meaning and implications of concepts such as 'strategic partnerships', which under NEPAD's framework implies 'mutual accountability and mutual responsibility.'

To measure “mutual partnership” in terms of trade and investment between NEPAD and its developed partners, the study will mainly analyse NEPAD’s strategy to mobilize resources from the developed world to Africa which includes two initiatives: capital flow and market access. The study analyzes trends in agriculture, Official Development Assistance (ODA) and FDI flows into Africa after the adoption of NEPAD’s good governance agenda. The study also focuses on commitment by African countries to the African Peer Review Mechanism (APRM), taking Ghana as a case study, and its effect on ODA provision, to assess whether “mutual responsibility” and “mutual accountability” has been achieved between Africa and its development partners. In so doing, the study analyzes whether trade and investment conditions have improved in Africa after the adoption of NEPAD.

5. Literature Review

NEPAD itself means different things to different people. On the one hand, its architects and foremost advocates define it as a project to integrate African economies into the global market so as to promote economic growth and development in the region (Landsberg; Ilorah; Chibundu; Adededeji; and Onimode et al¹⁰ ...etc.) Venter and Neuland support the above and argue that given the fact that Africa is an indispensable resource base, sustainable economic growth and development will depend on a global partnership like the NEPAD project which focuses on the supply and demand of goods and services, healthy environment, cross-border migration, a global financial system that ameliorates

¹⁰ Landsberg, C Op. Cit; Ilorah, R.: “Trade, aid and National Development in Africa” in Development Southern Africa, Vol. 25, No.1, 2008; Chibundu, M.O. “NEPAD and the Rebirth of Development Theory and Praxis” in Levitt, J.E (eds): Africa: Mapping New Boundaries in International Law, Hart Publishing, Oxford, 2008; Adededeji, A.“NEPAD’s African Peer Review Mechanism: Progress and Prospects” in Akopar, J. Ndinga-Muvumba, A. and T. Murithi (eds): the African Union and its Institutions, Fanele, Cape Town, 2008; and Onimode et al, B.: African Development and Governance Strategies in the 21st Century, Zed Books, London, 2004.

socio-economic conditions and a global governance that recognizes partnerships among all people.¹¹

On the other hand, critics argue that the project is largely written in the language of neo-liberal free market fundamentalisms which often retards the economic take off of Africa, which could further marginalize the continent in the global market (Bond; Taylor; Chabal¹²...etc). Akokpari points out that NEPAD favours a market approach to development “which in practice may prove detrimental to development.”¹³ NEPAD’s opponents further argue that countries including the more advanced ones are quick to sign commitments but are reluctant to indicate when and how to realize them. Edozie clearly states that NEPAD has the rhetoric for development but lacks a clear defined strategy of how to approach its initiatives.¹⁴ As the Senegalese Foreign Minister, Cheik Tidiane Gadio points out “the time for rhetoric is over and concrete implementation of projects needs to begin so that the people can benefit.”¹⁵ But, as pointed out earlier, NEPAD’s major criticisms come from its over-reliance on partnership as opposed to self-reliance.

Therefore, the study makes an intellectual contribution to the current literature on the North-South debate. The North refers to the advanced and industrialized countries primarily situated in the northern hemisphere while the South refers to the developing nations primarily situated in the Southern hemisphere. More important, the study contributes to the understanding of the relationship between Africa and the developed world on matters related to trade and investment.

¹¹ Venter, D. and Neuland, E.: Regional Integration: Economic Partnership Agreements for Eastern and Southern Africa, Institute for Business Innovation, Johannesburg, 2007, p. 228-22.

¹² Bond, P. and Zapiro, C.: Talk left and Walk Right: South Africa’s Frustrated Global Reforms, University of KwaZulu-Natal Press, Pietermaritzburg, 2004; Taylor, I.: NEPAD: toward Africa’s Development or another False Start? Lynne Rienner Publisher, London, 2005; and Chabal, P.: “The Quest for good government and development in Africa: is NEPAD the answer?” in International Affairs, Vol.78, No. 3, 2002.

¹³ Akokpari, J. “Dilemmas of Regional Integration and Development in Africa” in Akokpari, J. Ndinga-Muvumba, A. and T. Murithi (eds): the African Union and its Institutions, Fanele, Cape Town, 2008, p. 90.

¹⁴ Edozie, R. K.: “Promoting African Owned and Operated’ Development: A Reflection on the New Partnership for African Development (NEPAD)” in African and Asian Studies, Vol. 3, No. 2, 2004, p. 160.

¹⁵ Murithi, T.: The African Union, Peace-building and Development, Ashgate, London, 2005, p. 144.

6. Methodology

This study provides a review of literature from the area of International Relations (IR). The study is qualitative but relies on quantitative information such as economic figures, tables, graphs and statistical data. From the available quantitative information, a qualitative analysis of trade and investment fluctuations in Africa since 2001 to date is provided. Trade and investment statistics are readily available at the NEPAD headquarters, and the South African Institute of International Relations (SAIIA). In addition, the African Development Bank, the United Nations Development Report, the UNCTAD are also consulted. Furthermore, the study presents a deductive logic of reasoning which starts from the general and ends with the specific.

Primary sources in this study include official policy documents, reports and treaties from NEPAD, the African Union (AU), the G-8, the United Nations (UN), the International Monetary Fund (IMF), the World Bank, and the World Trade Organization (WTO)...etc. Secondary sources consist of existing literature on the subject of NEPAD. This includes books, book chapters, published articles, newspapers and news magazines. Much of the research will be conducted in the library of the Witwatersrand University, the University of Johannesburg and the SAIIA library. In addition to this, inter-library loans facilities and Internet sources will also be relied upon.

This paper will further use case studies method to make a contribution to the central research problem. George and Bennett define a case as “an instance of a class of events.”¹⁶ The term class of events means a phenomenon of scientific interest, such as revolutions, type of governmental regimes, kinds of economic systems, or personality types that one can use to develop a theory (or “generic knowledge”) regarding the causes of similarities or differences among instances (cases) of that class of event.¹⁷

¹⁶ George, A. L. and Bennett, A.: Case Studies and Theory Development in the Social Sciences MIT Press Cambridge, Massachusetts London, 2005, p. 17-18.

¹⁷ Loc cit

The merit of employing a case study in the IR discourse is profound. Case studies method is applicable to the IR sub-field of International Political Economy. Given the growing importance of economic interactions among countries and the increasing role of global economy since World War II, many studies in this field focus on issues related to the politics of international trade, foreign economic policy-making, international institutions and cooperation.¹⁸

Qualitative case studies method offers appealing advantages relative to other alternative methods such as statistical. “More comprehensive and more detailed contact with concrete instances of the events and behaviour about which we wish to generalize helps sharpen distinctions. It stimulates fresh concepts, typologies, and hypotheses.”¹⁹ In this study, case studies method is important for three reasons: to measure key concepts, to help develop and build the theoretical framework of the study, and to test the hypothesis of the study.

First, case studies method allows for contextualized comparison between concepts that are difficult to measure. It helps achieving a “high level of conceptual validity, or to identify and measure the indicators that best represent the theoretical concepts” that this study intends to measure.²⁰ These include the “concepts of mutual accountability” and “mutual responsibility.”

Second, case studies can be used to test a theory. According to George and Bennett, “the goal here is rarely to refute a theory decisively but, rather to identify whether and how the scope conditions of competing theories should be expanded or narrowed.”²¹ The goal is also to critique or contribute to theory-building.²² In this study, the use of case studies method will mainly help to test the theory of liberalism against the dependency theory. This will contribute to the understanding of state behaviour in the international system. It

¹⁸ Sprinz, D.F and Wolinsky-Nahmias, Y.: Models, Number, and Cases: Method for Studying International Relations, University of Michigan, U.S.A, 2004, p. 3.

¹⁹ Odell, J.S.: “Case Study Methods in International Political Economy” in International Studies Perspectives, Vol. 2, No. 2, 2001, p. 161.

²⁰ George, A. L. and Bennett Op. Cit. 19

²¹ Lo cit. 115

²² Odell, J.S Op. Cit. 161

will also help to understand the subject of interdependence between developed and developing countries in the international system. This study is going to test the theory of liberalism in three case studies: Ghana, Rwanda and Zimbabwe.

Third, one appealing advantage of case studies methods is the ability to generate hypothesis. Case studies allow “stronger empirical grounding for a hypothesis for the cases studied. They allow greater confidence in the validity of the hypothesis, for the cases studied, than statistical methods can provide for the same case naturally.”²³

There exist different types of case studies methods in the social science discipline ranging from explanatory to exploratory to descriptive to multiple-case studies and so forth. This report offers an instrumental type of case study. The purpose is “to accomplish something other than understanding a particular situation. It provides insight into an issue or help to refine a theory. The case of a secondary interest; it plays a supportive role, facilitating our understating of something else.”²⁴ Other types of case studies methods could not be used because they would not suit the method’s objective which is to develop and test concepts, theory and hypothesis. This work is an instrumental case study because it assesses whether NEPAD as a liberal project is successful or not. In addition to theory-building, it generates the hypothesis it presents and refines key concepts such as “mutual accountability” and “mutual responsibility.”

7. Chapters Outline

In addition to the Introductory Chapter, this study will consist of four chapters, which are ranged as follow:

Chapter 2: Theoretical and conceptual framework

²³ Loc cit.170 Odell

²⁴ Baxter, P. and Jack, S.: “Qualitative Case Study Methodology: Study Design and Implementation for Novice Researchers” in The Qualitative Report, Vol.13, No. 4, 2008, p. 549.

This chapter will elaborate the relevance of the theory of liberalism in addressing the central research question of the study and how it is suited to prove its hypothesis. The chapter will also define key concepts of the study such as “mutual partnership”, “mutual accountability” and “mutual responsibility” and how these concepts feature in the theory of liberalism.

Chapter 3: Assessment of the concept of “mutual partnership”: a reflection of NEPAD’s resource mobilization strategy.

This chapter will assess the achievement and failure made by NEPAD as a partnership project in terms of trade and investment through the examination of economic data on ODA and FDI.

Chapter 4: Assessment of the concepts of “mutual accountability” and “mutual responsibility”: a case study on Ghana.

This chapter will provide a case study on Ghana to investigate whether the country’s commitment to good governance through peer review has led the industrialized world to transfer resources for development into the country as envisaged by NEPAD.

Chapter 5: Conclusion and recommendations

This chapter will summarize the main points of the study, the findings and recommendations.

Chapter 2: Theoretical and conceptual framework

1. Introduction

New trade and investment relationships between developed and developing nations restructure today's economic development policies. This has been pioneered with the emergence of the NEPAD programme that envisages building a strategic trade and investment partnerships between Africa and its development partners based on 'mutual accountability' and 'mutual responsibility'. This dynamism is promoted through adopting liberal notions of free market, free trade and, economic cooperation and interdependence.

The main purpose of this chapter is to explain how the theory of liberalism helps in answering the central research question and assessing the accuracy of the hypothesis. The chapter argues that such liberal assumptions embedded in the NEPAD programme such as that economic cooperation and interdependence brings about development, are best seen through NEPAD's efforts to establish "mutual partnership", "mutual accountability" and mutual "responsibility". "Partnership conveys the existence of a relationship stronger than cooperation, but weaker than a compact. It suggests joint effort and joint responsibility – the concept of interdependence."²⁵ The chapter also aims to highlight the type of incentives created by NEPAD to attract foreign trade and investment into Africa. These include the promotion of peace and security and the strengthening of democratic good governance in Africa through peer review mechanism.

Initially, NEPAD was mandated to focus on three priority areas namely preconditions for sustainable development (political, economic and corporate governance); sectoral priorities such as agriculture and market access, human resource development, infrastructure, and environment and resource mobilization.²⁶ The programme is further expected to achieve high rate of growth, high employment, alleviating poverty and inequality, diversifying production structures, improving international competitiveness,

²⁵ Diescho, J.: *Understanding the NEPAD*, Namibia Institute for Democracy in cooperation with the Konrad Adenauer Stiftung, Windhoek, 2002, p. 19.

²⁶ AU: *The High Level Panel: Audit of the African Union*, Addis Ababa, Ethiopia, 2007, p. 140.

and enhancing exports and co-operations.²⁷ This piece of work focuses mainly on the resource mobilization sectors of NEPAD, which include capital flows and market access. To achieve these objectives, NEPAD promotes liberal ideas of good governance through Peer Review Mechanisms, strengthens democracy, peace and security in the African region, and builds partnerships with the industrial countries while strengthening regional economic integration and reforms in economic policy in Africa.

The chapter is divided into three sections. Section one will detail the theory of liberalism. Section two will define key concepts such as ‘partnerships’, ‘mutual accountability’ and ‘mutual responsibility’ and their link with liberalism. These concepts are important in this study for two compelling reasons: (1) partnership itself goes hand in hand with the notion of economic cooperation and interdependence articulated in the liberal framework and (2) “mutual accountability” and “mutual responsibility” reinforce that partnership. Partnership is also an incentive to bring trade and investment opportunities into Africa. The other key incentives created by NEPAD that are going to be highlighted in this chapter are the promotion of democracy, peace and security, and the strengthening of good governance agenda through peer review.

2. The theory of liberalism

Liberalism focuses on the behaviour of individuals, firms and states in the global economy. It views individuals as the main unit of analysis assuming that they have complete information to make rational decisions at the lowest possible level. It advocates the free interplay of the market and rejects political interference in the market economy. According to this theory, “if individuals are left freely to engage in production, exchange and consumption all will benefit and that the insertion of state control distorts benefits and adds cost to participants in the market.”²⁸ Put another way, once the state stays away from the market, the benefit of trade will automatically trickle down throughout society.²⁹

²⁷ Loc cit

²⁸ O’Brien, R. and Williams, M.: Global Political Economy: Evolution and dynamics, Palgrave Macmillan, 2007, p. 18-19.

²⁹ Ibid. 20

Therefore, the protection of individual consumers and producers from unfriendly government policies becomes a major concern for liberal thinkers. Thus, by opening up the market economy and by liberating international trade, liberalism assumes that people will be able to increase their choices and widen their economic decisions.

Liberalism promotes free trade and sees it as a positive sum-game. Free trade simply means the flow of capital into and out of countries without difficulty and the removal of barriers to all forms of economic activities.³⁰ According to Gilpin, liberalism is “a doctrine and a set of principles for organizing and managing a market economy in order to achieve maximum efficiency, economic growth, individual welfare free market and individual equality and liberty.”³¹ Noshab also states that, “an efficient and flourishing economy is proportional to the enhanced role of market forces and economy opened to free trade and competition.”³²

Liberalism also views trade as an “engine” of economic growth. It is built on the assumption that economic prosperity can be borne out of the interaction of different individuals pursuing their own self-interests.³³ This requires a free movement of goods and services, and an increasing transfer of knowledge and technology across borders.³⁴ On that note, liberal thinkers such as Adam Smith and David Ricardo have developed a theory of comparative advantage, which exemplifies that thinking. Accordingly, “even in a situation where one country enjoys superiority in the production of all goods and services over a second country, trade between the two will benefit both countries.”³⁵

Furthermore, liberalism promotes democracy and links it with trade. It claims that democracies do not fight democracies. Indeed, democracies, “share an interest in creating economic, political, and security conditions in which peace, prosperity and democracy

³⁰ Ibid. 18

³¹ Gilpin, R.: The Political Economy of International Relations, Princeton, New Jersey, 1987, p. 14.

³² Noshab, F.: “Globalization, WTO and Pakistan” in the Muslim World, Vol. 96, No. 2, 2006, p. 342.

³³ Gilpin, R Op. Cit. 14

³⁴ Loc cit

³⁵ O’Brien, R. and William, M Op. Cit. 20 Citing Adam Smith

can strive.”³⁶ As Reuveny and Maxwell put forward, trade and peace are mutually supportive goals thus, “trade causes peace because conflict leads to a loss in trade gains.”³⁷

More importantly, liberalism promotes economic cooperation and interdependence. For instance, the theory encourages countries to deal with the international economy in as much as the same way they manage their own domestic ones.³⁸ It views the international system as one of interdependence as opposed to anarchy. In this view “states and peoples can cooperate for mutual benefit...rather than zero-sum game where one’s gains are the other’s losses, liberals see a positive sum game where the pie grows bigger and everyone gains.”³⁹ Quoted in Mingst, Emmanuel Kant, a liberal philosopher, argues that, “international anarchy can be overcome through some kind of collective action - a federation of states in which sovereignties would be left intact.”⁴⁰ These liberal principles are also promoted by the NEPAD programme.

The NEPAD is a liberal project, which adopts ideas of free trade and economic interdependence. The programme is in line with neo-liberal policies driven by multilateral institutions such as the IMF/World Bank. According to the theory of neo-liberalism, “in the new international economic system all countries are ‘dependent’ to some extent on each other and to the extent that ‘dependency’ becomes translated into ‘interdependency.’”⁴¹ Hence, NEPAD reaffirms that “African governments will assure the continued participation in the web of conditionality-driven multilateral programmes sponsored by international financial institutions and developed country governments,

³⁶ Lebovic, J.H.: “Uniting for Peace? Democracies and United Nations Peace Operations after the Cold War” in The Journal of Conflict Resolution, Vol. 48, No. 6, December 2004, p. 912.

³⁷ Rauveny, R. and Maxwell, J.: “Free Trade and Arms Races” in The Journal of Conflict Resolution, Vol. 42, No.6, 1998, p. 775.

³⁸ Frieden, J. A. and D. A. Lake. “International Politics and International Economics” in Goddard, C. R, Cronin, P. and K. C. Dash (eds): International Political Economy: State market relations in a changing global order (2nd edition). Palgrave, MacMillan, 2003, p. 28.

³⁹ Gilpin, R.: Global Political Economy: Understanding the International Political Order, Princeton University Press, Princeton, 2001, p. 18.

⁴⁰ Mingst, K.A.: Essential of International Relations (4th Edition), W.W. North & Company, New York, 2008, p. 60. Citing Kant

⁴¹ Hills, J.: “Dependency Theory and Its Relevance Today: International Institutions in Telecommunications and Structural Power” in Review of International Studies, Vol. 20, No. 2, April 1994, p. 172.

thereby lending their imprimatur of respectability and legitimacy to these programmes.”⁴² As Walt points out, international institutions like the IMF “could help overcome selfish state behavior mainly by encouraging states to forgo immediate gains for the greater benefits of enduring cooperation.”⁴³

Moreover, in its search for a “strategic partnership” between African nations and their development partners, NEPAD contributes to the liberal view of international cooperation and interdependence. NEPAD promotes enhanced cooperation between Africa and its development partners in its struggle for domestic welfare provision and economic growth and development in Africa.⁴⁴ It reaffirms that economic growth and development cannot be left in the hands of African leaders alone. Instead, such an ambitious initiative requires active involvement of other international actors also known as development partners. As a partial fulfilment of this objective, NEPAD speaks of a “strategic partnership” between Africa and the industrialized powers, which focuses on the idea of ‘mutual ‘accountability’, and ‘mutual responsibility.’

Given the central research question of the study, it is of crucial importance to assess whether NEPAD has been successful in achieving its goals of attracting trade and investment flows into Africa to affect economic growth and development. To determine this, the study will assess key aspects of NEPAD’s agenda such as “mutual partnership”, “mutual accountability” and “mutual responsibility” all as indicators of development. These indicators could best be explained by the theory of liberalism as it envisages positive gains and economic prosperity within the context of a globalized free market system through outward looking policies in trade and investment, greater engagement with the global economy, and more importantly economic cooperation and interdependence.

⁴² Chibundu, M.O Op. Cit. 284.

⁴³ Walt, S.M.: “International Relations: one World, Many Theories” in Foreign Policy, No.110, Special Edition: Frontiers of Knowledge, 1998, p. 32.

⁴⁴ de Waal, A.: “What's New in the 'New Partnership for Africa's Development'?” in International Affairs Vol. 78, No. 3, July 2002, p. 466.

Realist ideology would not serve the purpose of the study because it overemphasizes the role of the state in world politics and does not take into account the role of other actors such as international institutions and regional mechanisms like NEPAD. The theory considers the international system to be anarchical in nature about power, and considers the pursuit of national interests to take precedence.⁴⁵ It perceives international economic cooperation as a zero-sum game, that is, “the gain of one party necessitates a loss for another party.”⁴⁶ Realism therefore does not pay attention to the idea of partnership or cooperation for international development. This undermines moral responsibilities such as the promotion of economic development and the fight against poverty in developing regions including Africa. Clearly, liberalism is relevant in this study because it strengthens the importance of international cooperation, and NEPAD’s search for a strategic partnership between Africa and its development partners is no exception.

Constructivism could possibly add values to the central research question. Constructivism is a movement in IR that examines the manner in which changes in ideas embedded at the international and domestic level helps shape the direction of state’s interests.⁴⁷ It is mainly concerned with the sources of change in foreign policy, which obviously include social attributes such as ideas and interests. According to Walt, constructivism “is best suited to the analysis of how identities and interests can change over time, thereby producing far - reaching but unexpected shifts in international affairs.”⁴⁸ Thus, the unique contribution constructivism could perhaps make to the research question would be to explain how factors such as ideas, interests and norms could alter NEPAD’s engagement with its external partners or vice versa.

However, constructivism is not sufficient to address the central research question because it focuses more on inter-subjective meanings and on the role of embedded ideas and norms in influencing state behaviour. This is not in line with what this study is attempting to achieve, which is assessing the effectiveness of NEPAD as a development tool. In

⁴⁵ Mingst, K.A Op. Cit. 63

⁴⁶ Gilpin, R Op. Cit. 17

⁴⁷ Goldstein, J. S. and Pevehouse, J. C.: International Relations (Seventh Edition), Pearson Longman, New York, 2006, p. 119.

⁴⁸ Walt, S.M Op. Cit. 44

addition, constructivism is not a uniform theory. It lacks a theory of agency and it is a method more than anything else.⁴⁹ Constructivism also focuses on objective reality and does not pay attention to material terms such as politics and economics.⁵⁰ It begins from the principle that “there is an intimate and reciprocal connection between human subjects and the social world.”⁵¹ Its main focus is on human awareness and consciousness as well as its position in the international system.⁵² It rejects external, objective social reality and suggests that the international system does not exist on its own but only exists as an inter-subjective consciousness among people.⁵³ Consequently, the theory stresses the role of social organization and norms at the expense of the agents who in the first place are responsible for creating and changing them.⁵⁴ Mingst argues that “if the world is in the eye of the beholder, then there will be no right or wrong answers, only individual perspectives.”⁵⁵

Unlike the above two, the dependency theory provides the greatest challenge to the hypothesis of the study. NEPAD’s opponents suggest that the kind of partnership that the programme is seeking for will increase the dependency of Africa on rich nations. Therefore, one needs to consider the other side of the story of partnership from a dependency perspective in order to have a clear idea regarding the perceived criticisms of the NEPAD programme.

In fact, the dependency theory arose in the 1960s and 1970s as a reaction to ‘modernization’ theory, which establishes a causal link between industrialization and political development. In terms of the modernization theory, “all countries go through a similar set of economic stages of growth which eventually culminate in a fully

⁴⁹ Checkel, J.T.: “The Constructivist Turn in International Relations Theory” in World Politics, Vol. 50, No. 2, 1998, p. 323.

⁵⁰ Mingst, K. A Op. Cit. 56

⁵¹ Gilpin, R Op Cit. 35

⁵² Jackson, R. and Sorensen, G.: Introduction to International Relations: Theories and approaches, 2nd edition, Oxford University Press, Oxford, 2003, p. 253.

⁵³ Loc cit

⁵⁴ Checkel, J.T. Op. Cit. 325

⁵⁵ Loc cit. 73

industrialized society.”⁵⁶ In other words, economic interdependence is presented as an entirely win-win economic process that propels industrialization and the transformation of Third World economies into modern societies.⁵⁷ The theory contains widely divergent approaches including Marxist and Structuralist views both of which strongly concerned about the expansion of the growing inequalities between North and South and the widening gap between rich and poor.⁵⁸ It mainly suggests that a ‘centre’-‘periphery’ relationship will continue to be characterized by the exploitation of the latter by the former.

Dependency theory assumes that the periphery, which refers to the developing countries, is dependent on the institutional make-up of the international economic system. It emphasizes that the structural hierarchy of the world economy limits the role of state in the economy and threatens the autonomy of poor states to alter the impact of the world economy on their domestic structural arrangement.⁵⁹ It claims that, in a world dominated by free market system, individual countries are subject to restructure their economy (e.g. through export-led growth policies, openness to FDI, free repatriation of profit) not in the interest of their people but in the interest of those who run the international system (the centre).⁶⁰

Another key position of the dependency theory is the idea that international capitalism under-develops Third World economies. Supporters of the dependency school of thought “base their model of development on the belief that foreign investment from core countries is harmful to developing ‘nation’s long-term economic growth.”⁶¹ They argue that, “if surplus wealth is taken from the Third World by multinational corporations, the economic performance of developing countries suffers to the benefit of foreign capital.”⁶²

⁵⁶ Hein, S.: “Trade Strategy and the Dependency Hypothesis: A Comparison of Policy, Foreign Investment, and Economic Growth in Latin America and East Asia” in Economic Development and Cultural Change, Vol. 40, No. 3, April 1992, p. 497.

⁵⁷ Loc cit

⁵⁸ Hills, J Op. Cit. 170

⁵⁹ Ibid. 172-73

⁶⁰ Ibid. 173

⁶¹ Hein, S Op Cit. 497

⁶² Loc cit

Also, dependency theory purports the idea that North-South economic partnerships is detrimental for the latter due to the intrinsic inequality between rich and poor caused by international capitalism.⁶³ But, given the recent experience in Asia, industrialization through government supported FDI policies resulted in development.⁶⁴ Evidence shows that part of the reasons behind the economic take off of East Asian economies was because they “structured their domestic economies in order to mitigate the pernicious effects of dependent relationships with core countries.”⁶⁵ This brings the hypothesis of the dependency theory under scrutiny. Dependency theory can be lessened through specific government policy, like in East Asia.

Having explained the relevance of the theory of liberalism in this study, and justified not using other theoretical perspectives (realism, constructivism and dependency) the next section will briefly explain the concept of “partnership” to reiterate on the role of NEPAD in promoting the liberal principle of economic cooperation and interdependence.

3. The concept of partnership

It has been argued that liberalism promotes ‘cooperation.’ NEPAD also encourages cooperation through the formation of strategic partnership between Africa and its development partners. It is based on the idea that ‘partnership’ between Africa and the developed world is a fundamental prerequisite to sustain economic growth.⁶⁶

The concept of partnership is not new in the history of international development. The term is present in key development reports such as: the Pearson Report of 1969, *Partners in development*; the Brandt Report of 1980, *North-South: a programme for survival*; the 1996 Development Assistance Committee (DAC) of the Organization of Economic Cooperation and Development (OECD) report, *Shaping the 21st century: the contribution of development co-operation*; and in a number of donors and Non-Governmental

⁶³ Ibid. 495

⁶⁴ Loc cit

⁶⁵ Loc cit

⁶⁶ Venter, D. and Neuland, E Op. Cit. 228-29

Organizations (NGOs) policy documents including the United Kingdom (UK) government's white paper of 1997, and the World Bank's Comprehensive Development Framework.⁶⁷ The common theme across all these reports is centred around the concepts of 'shared ideas' 'trust', 'transparency' dialogue', 'frequent review' and a time line for implementation.⁶⁸

There are two common positions in the study of partnerships. The first "regards partnerships as a positive initiative, seeking to increase recipients' leadership in the design and implementation of development strategies."⁶⁹ This is the form of partnership that is supported by liberal theorists. The second is the one related to the dependency theory, which "dismisses partnerships as little more than rhetoric, a disguise for the continued domination of the South, by the North."⁷⁰ The dependency theory seems to be correct as traditionally, partnership occurred along the line of a principal-agent relationship (donor-recipient) whereby the first holds power subjecting the latter to it.⁷¹ Example of a partnership of this kind is that of the old North-South order championed by conditionality regimes like those of the 1980s IMF/World Bank Structural Adjustment Programme.

However, this study stands in the definition of partnership as a mutual relationship, an agreement or pact between two development partners. It defines partnership as a power sharing agreement between two partners which articulates terminology like "common aim, vision, goals, mission, or interest, joint right, resources and responsibilities; autonomous and independent; equality and trust."⁷² This definition clearly shifts away the idea of partnership from a 'donor' - 'recipient' relationship towards harmonizing relationship between Africa and the industrialized countries to achieve a shared goal of

⁶⁷ Maxwell, S. and Christiansen, K.: "Negotiation as Simultaneous Equation': Building a New Partnership with Africa" in *International Affairs*, Vol. 78, No. 3, July 2002, p. 478.

⁶⁸ *Ibid.* 479

⁶⁹ Abrahamsen, R.: "The Power of Partnerships in Global Governance" in *Third World Quarterly*, Vol. 25, No. 8, 2004, p. 1455-56.

⁷⁰ *Ibid.* 1456

⁷¹ Bagescu, M. and Young, J.: *Partnerships and accountability: Current thinking and approaches among agencies supporting Civil Society Organizations*, Working Paper 255, ODI, London, 2005, p. 2.

⁷² Bagescu, M. and Young, J. *Op. Cit.* 2

development in the region. Under this relationship, aid recipients like African countries shall “advance their external commitments under mutual accountability (as opposed to conditionality) while external donors will expose their aid efforts to the critiques of their development partners.”⁷³ This implies both partners to acknowledge that they have different objectives and that they are entitled to bring different capacity to the partnership. This also draws attention to “the need for mutual respect of each other partners’ organization’s mission, values, as well as agreements on the terms of the relationship.”⁷⁴ NEPAD draws the parameters of its relationship with its development partners on similar basis of mutuality and fraternity.

According to de Waal, at the heart of NEPAD’s implementation lies the concept of ‘enhanced partnership’ that promises to transform aid relationship.⁷⁵ The ‘enhanced partnership’ is “a common commitment by African countries and donors to a set of development outcomes (defined by African countries), whereby donors pool funds, guarantee them for an extended period and channel them through budgetary processes, which are then jointly monitored on the basis of outcomes.”⁷⁶ Its purpose is to water down the costs associated with the receipt of aid, remove unnecessary and burdensome conditionalities, encourage African ownership of their development planning, and enable aid to promote democracy and guarantee best development outcomes.⁷⁷ According to Hope, “the contemporary consensus on African cooperation is that development partnerships work best where the aid regime devolves delivery system empowers local communities and puts Africans in charge of their development efforts, while development partners recognizing and supporting Africa’s leadership and responsibility.”⁷⁸

⁷³ Economic and Social Council for Africa: What NEPAD Implies for African Policy Makers, UN, Johannesburg, October 2002, p. 25.

<http://unpan1.un.org/intradoc/groups/public/documents/uneca/unpan009242.pdf>

⁷⁴ Bagescu, M. and Young, J Op Cit. 2

⁷⁵ de Waal, A Op. Cit. 466

⁷⁶ Loc cit

⁷⁷ Loc cit

⁷⁸ Hope, K.R.: “From Crisis to Renewal: Towards a Successful Implementation of the New Partnership for Africa’s Development” in African Affairs, July 2002, p. 395.

NEPAD views partnership in development as an ‘international responsibility’ to create a “world citizen.”⁷⁹ This means NEPAD views African problems (e.g. poverty and underdevelopment) as global issues, which then need global responses. For instance, NEPAD frames its aims around the Millennium Development Goals (MDGs) by challenging aid donors (‘development partners’) to take their commitment to global poverty reduction seriously and to open the door for a common project among development partners towards fulfilling these goals.⁸⁰ This “provides the platform for Africa to bring to the table its contribution to the world – material and human resources, biodiversity, market and partner with the rest of the world on terms it considers acceptable.”⁸¹

Yet, critics argue that NEPAD is not engaged in an equal partnership with its development partners. This is not surprising as the OECD currently defines partnership as “an informal association between donors and African countries.”⁸² Adedeji also states that “strategic partnership” as the pursuit of common interests and common policies poses doubt on its applicability between two unequal partners.⁸³ He further states that it will be difficult for the continent of Africa to have a strategic partnership with the developed countries in the absence of a binding commitment, and argues:

As long as the objective of the developed countries is to maintain their economic progress along the present lines, the relations between the North and South in general and Africa in particular will continue to be characterized by the domination of the strong over the weak, a drain of resources from the poor nations to the rich, and appropriation of an increasing share of the world’s resources by those who are already prosperous. This is a travesty of co-operation, partnership and interdependence. This is more aptly described as feudo-imperial partnership and interdependence.⁸⁴

⁷⁹ Dogonyaro, S.T.: Partnership and NEPAD, NEPAD Secretariat, Paper presented at the African Forum for Envisioning Africa, Nairobi, Kenya, 26 – 29 April 2002, p. 4.

⁸⁰ de Waal, A Op. Cit. 465

⁸¹ Dogonyaro, S.T Op Cit. 5

⁸² OECD: Paris Declaration on Aid Effectiveness: Stud of Existing Mechanisms to Promote Mutual Accountability (MA) Between Donors and Partners Countries at the International Level Background Paper African Perspectives on Mutual Accountability at The International Level, Oxford Policy Management, 2008, p. 2.

⁸³ Adedeji, A.: “From Lagos to NEPAD: Keynote address at the African Scholars’ Forum on Emerging Initiatives towards a New Vision for Africa” in New Agenda, Issue 8, Fourth Quarter, 2002, p. 41.

⁸⁴ Loc cit

Conversely, the closing paragraphs of the NEPAD document clearly outline the rules of the engagement of Africa with its development partners. For instance, section VI of NEPAD, entitled *A New Global Partnership*, speaks of the role which must be played by its development partners and by multilateral organizations, which are jointly described as Africa's 'development partners'.⁸⁵ Therefore, it seems that NEPAD's partnership will involve Africa to partner with region of the world generally referred to as the West,⁸⁶ on a mutual basis.

Maxwell and Christiansen state that NEPAD foresees a formal (though contractual) engagement with its development partners.⁸⁷ Thus paragraphs 152 and 186 of the NEPAD document respectively refer to “an independent mechanism for assessing donor and recipient country performance...and to ‘mutual agreed targets and standards for both donors and recipient.’”⁸⁸ NEPAD further lays out (in paragraph. 188) 13 'responsibilities and obligations of the developed countries and multilateral institutions', ranging from debt relief to market access and governance reform of the multilateral financial institutions, and talks about a coordinated peer review on the African nations by the Economic Commission for Africa (ECA); which also implies independent review of both donor and recipient country's performance.⁸⁹

In sum, partnership does not necessarily mean equality. It is rather a relationship, an association with common future and long-term interests, thus implying a sharing of burden and rewards.⁹⁰ A genuine partnership however requires ‘mutual respect’ and equality of power and influence.⁹¹ It also requires a shared ownership, power and commitment among the different partners governed by ethics and principles.

⁸⁵ Matthews, S.: “Post-Development Theory and the Question of Alternatives: A View from Africa” in *Third World Quarterly*, Vol. 25, No. 2, 2004, p. 503.

⁸⁶ Loc cit

⁸⁷ Maxwell, S. and Christiansen, K. Op. Cit. 485

⁸⁸ Ibid. citing NEPAD

⁸⁹ Ibid

⁹⁰ Dogonyaro, S.T Op. Cit. 5

⁹¹ Abrahamsen, R Op. Cit. 1455

Also, the term partnership cannot be quantified and will therefore not be easy to measure. One could perhaps measure partnership in terms of the number of forums or meeting held by partners or the actions taken afterwards. Partnership could also be measured in terms of the level of political commitment or willingness amongst partners. Also, partnership is not an easy term to assess because it involves a lot of dimensions. It can deal with more than one issue including security, economics, politics, cultures, development...etc.

Therefore, measuring the concept of partnership in light of the NEPAD programme would require an assessment of key sectoral priority areas of the programme. Addressing NEPAD's priorities (agriculture; environment; human resource development; and infrastructure capacity) necessitates huge and sustained resources mobilization from its development partners.⁹² "NEPAD's resource mobilization strategy implies that the bulk of the resources required to address priority projects are to come from external sources through debt relief, increased ODA and FDI, and improved access for African products to Northern markets."⁹³

Resource mobilization involves two strategies: capital follows and market access initiatives. The first seeks to promote domestic resource mobilization, debt relief and cancelation, increased and reformed ODA, high private capital flows, and more FDI.⁹⁴ The second seeks to promote the diversification of Africa's economy while securing greater access to the market of rich nations in respects of agriculture, mining, manufacturing, tourism, and services.⁹⁵

In this background, the study assesses resources mobilization from developed NEPAD partners to developing NEPAD members through capital follows and market access initiatives to measure whether NEPAD as a partnership institution has been successful in

⁹² Ikome, F. N.: From the Lagos Plan of Action to the New Partnership for Africa's Development: the political economy of African regional initiatives, the Institute of Global Dialogue, Midrand, South Africa, 2007, p. 103.

⁹³ Ibid. 103-104

⁹⁴ Ibid. 103

⁹⁵ Loc cit

promoting trade and investment in Africa. The study will look at ODA and FDI as criteria to assess capital flows, and will use agriculture to assess market access.

4. The concepts of “mutual accountability” and “mutual responsibility”

The concept of mutual accountability and mutual responsibility are closely intertwined. Quoted in Haines, Bradley says: “we need make no distinction between responsibility, or accountability, and liability to punishment.”⁹⁶ Haines views accountability as a significant aspect of responsibility. Accordingly, “responsibility even in the sense of ‘liability,’ speaks of the person as accountable or liable rather than of his acts which constitute, on the contrary, the content of his liabilities.”⁹⁷ Simply speaking, one is responsible for one's acts; but in terms of liability it is the person who is responsible.⁹⁸ In this sense, responsibility carries more weight than accountability as the former involves liability.

The term *accountability* has gained widespread attention in the development discourse as a necessary tool in democratization, participation and governance. Generally speaking, accountability “denotes the mechanisms through which people entrusted with power are kept under check to make sure that they do not abuse it, and that they carry out their duties effectively.”⁹⁹ Accountability “manages the power relations between actors who interact or affect each other directly or indirectly.”¹⁰⁰ It is also understood as ‘giving an account’ to another party who has a stake in what has been achieved.¹⁰¹ It evokes the wisdom of taking responsibility and holds the sense of being ‘held responsible’ or being ‘held to account.’¹⁰² Therefore, “accountability is not only the means through which individuals and organizations are held responsible for their decisions, but also the means by which they take internal responsibility for shaping their organizational mission and

⁹⁶ Haines, N.: “Responsibility and Accountability” in *Philosophy*, Vol. 30, No. 113, April, 1955, p. 141.

⁹⁷ *Ibid.* 142

⁹⁸ *Loc cit*

⁹⁹ ODI: Promoting Mutual Accountability in Aid relationships: Addressing the power imbalance between donors and recipients is necessary to promote real partnership, Briefing Paper, 2006, p. 1.

¹⁰⁰ Bagescu, M. and Young, J. *Op. Cit.* 4

¹⁰¹ *Loc cit*

¹⁰² *Loc cit*

values, for opening themselves to external scrutiny and for assessing performance in relations to goals.”¹⁰³ This raises the question of who is responsible, to whom, and for what?

In the NEPAD debate, the term accountability is mostly used to assess aid donor practices. The Paris Declaration on Aid Effectiveness states that mutual accountability in aid occurs when “donors and recipients carry out ‘mutual’ assessments of progress in implementing agreed commitments and more broadly their development partnership.”¹⁰⁴ Speaking at the Africa-Canada Parliamentary Dialogue, Anne Makinda argues:

Mutual accountability takes into account the fact that the policies and actions of both donor and recipient countries have an impact on the effectiveness of aid and on the outcomes of development efforts. It focuses on results-oriented development partnerships, commitments on both parties of the partnership, and an emphasis on systematic review and monitoring of the development programs.¹⁰⁵

According to Makinda, a genuine accountable aid processes requires an aid recipient country to have the ownership of the development agenda and the leadership of the implementation agenda, taking into account mutually acceptable practices from donors.¹⁰⁶ It also implies enforcement mechanisms at a local level to ensure legitimacy amongst the agents involved in the implementation process of the partnership agreement.¹⁰⁷

NEPAD’s partnership already contains the kind of accountability enforcement measure prescribed above. In 2003, NEPAD Heads of State and Government Implementation Committee (HSGIC) requested the ECA and the OECD to develop a mutual accountability process in which Africa and its OECD partners could track the implementation of their commitments to development progress in Africa. This led to the launching of the *Mutual Review Report*, which “serves as a consultation mechanism

¹⁰³ Loc cit

¹⁰⁴ ODI Op. Cit. 1

¹⁰⁵ Makinda, A: Mutual Accountability, Aid effectiveness and the Role of Parliament, Keynote Speech, At the Africa-Canada Parliamentary Dialogue, Ottawa, 2006-11-06, p. 1.

¹⁰⁶ Lo cit

¹⁰⁷ Loc cit

between Africa and OECD countries to assess and monitor progress in delivering on commitments and achieving goals.”¹⁰⁸

In defining the concept of responsibility there are two types: formal and substantive. “Substantive responsibility” refers to ‘responsibility for particular objects that commits an agent to particular deeds concerning them.’¹⁰⁹ “Formal responsibility” however, refers to an instinct feeling of responsibility ‘instituted by nature.’¹¹⁰ This is also known as “natural responsibility” – the original and the strongest form of responsibility from which any other responsibility eventually derives its more or less contingent validity.¹¹¹ Example of such is parental responsibility which means that originally responsibility is a natural duty.

In reality, none of these two kinds of responsibilities applies to the NEPAD partnership. Perhaps the basis of the ‘mutual responsibility’ envisaged by NEPAD is one, which is contractual. A “contractual” responsibility “is one which is conditional *a posteriori* upon the fact and terms of the relationship actually entered into.”¹¹²

The terms “mutual accountability” and “mutual responsibility” are closely intertwined and cannot be measured in isolation. These terms once again form the basis of the NEPAD’s partnership. Under this regime, African countries shall reaffirm their commitment to good governance through peer review mechanism in return for aid and development assistance from their development partners including the G8 and the European Union (EU). In other words, Africa’s commitment to conflict resolution, the strengthening of the continent’s peacekeeping mechanism, the promotion of democracy and human rights shall be rewarded with outside assistance.¹¹³ This simply means that it

¹⁰⁸ Economic and Social Council: Twenty-fourth meeting of the Committee of Experts of the Conference of African Ministers of Finance, Planning and Economic Development, UN Economic Commission for Africa, Abuja 11-13 May 2005, p. 2.

¹⁰⁹ Bernstein, R.J.: “Rethinking Responsibility” in The Hastings Center Report, Vol. 25, No. 7, 1995, p. 16.

¹¹⁰ Loc cit

¹¹¹ Loc cit

¹¹² Loc cit

¹¹³ Landsberg, C Op. Cit. 211-212

is in the responsibility of African countries to subject themselves to good governance in order to count on aid and development assistance from their development partners.

Therefore, measuring “mutual accountability” and “mutual responsibility” within the framework of NEPAD implies an analysis of the explicit link that the programme makes between democracy, peace and security (or good governance) and development (measured in terms of FDI and ODA in this study). NEPAD itself measures compliance with good governance agenda through the APRM.

Within the context of “mutual accountability” and “mutual responsibility”, NEPAD rests on the idea that if the continent is to mobilize development resources from its external partners, it will have to address fundamental internal governance issues such as the promotion of peace and security, compliance with standards of good governance, and regional cooperation and integration to the satisfaction of those external partners.¹¹⁴

Governance simply means: “the management, appropriation and distribution of power, the sum of many ways individuals and institutions, public and private, manage their common affairs.”¹¹⁵ It also means the creation of “well-functioning and accountable institutions which citizens regard as legitimate, in which they participate in decisions that affect their daily lives and by which they are empowered.”¹¹⁶

The World Bank defines governance as “the manner in which power is exercised in the management of a country’s economic and social resources for development.”¹¹⁷ The Bank describes the characteristics of good governance as all or some of the following: “an efficient public service; an independent judicial system and legal framework to enforce contracts; the accountable administration of public funds; and independent public auditor, responsible to a representative legislature; respect for the law and human rights at

¹¹⁴ Loc cit

¹¹⁵ Landsberg, C.: “Afro-governance, Continentalism and Africa’s Emerging Democratic Regime” in Journal of Africa’s Elections, Vol. 5, No. 1, 2006, p. 3.

¹¹⁶ Loc cit, 4

¹¹⁷ The World Bank: Governance and Development, the World Bank, Washington, D.C, 1992, p. 1.

all levels of government; a pluralistic institutional structure, and a free press.”¹¹⁸ Hills also defines good governance as “a system or process that stresses the managerial aspects of running institutions, managing resources, and establishing institutions within government.”¹¹⁹ He further says that “sound governance is based upon accountability, transparency, institutional capacity, popular involvement, and adherence to rule.”¹²⁰

In the NEPAD framework, good governance is divided into two sections: democracy and political governance; and economic and corporate governance. The first focuses on political and civil rights such as a multiparty political system of free and fair elections, an independent electoral body and inclusivity; human rights protection through the respect for the rule of law, freedom of speech and freedom of association; and gender balance in political representation and the redistribution of wealth.¹²¹ The second mainly deals with the institutional make up within which the public and private sector operate. It emphasizes state capacity “to promote economic growth and development through appropriate policy and regulatory frameworks for private sector-led growth, and to implement social programmes aimed at reducing poverty with a strong element of inclusive participation.”¹²²

In sum, the political, economic and institutional aspects of governance under the NEPAD framework are accessed via the APRM through a range of variables such as political rights and institutional effectiveness (e.g. the functioning of the legislature, judicial, and executive branches, as well as the non-governmental sector); economic management (e.g. macroeconomic management, public financial management and accountability, monetary and financial transparency, accounting and auditing systems, and regulatory oversight); and corporate governance among others.¹²³

¹¹⁸ Leftwich, A.: “Governance, democracy and development in Third World” in Third World Quarterly, Vol.14, No. 3, 1993, p. 610.

¹¹⁹ Hills, M Op. Cit. 11

¹²⁰ Loc cit

¹²¹ Ramsamy, P.: “From Policy to implementation: Nepad’s Path to Progress” in South African Journal of International Affairs, Vol. 11 No. 1, 2004, p. 39-40.

¹²² Ibid. 40

¹²³ Ibid. 44

NEPAD's institutionalization process of good governance has become vital to mobilize resources from its development partners.¹²⁴ At a country level, NEPAD introduces peer review mechanism to assess compliance with good governance. NEPAD is based on the idea of a trade-off: "in exchange for Africa's governing elites holding each other politically and economically accountable for responsible governance, the industrialized powers are asked to make commitment on greater ODA flows, FDI, market access for African goods, and debt relief and cancellation."¹²⁵ According to Sadie, the idea behind the APRM is for Africa to move away from donor-imposed conditionality and towards mutual accountability with its development partners to achieve desired goals.¹²⁶ In other words, NEPAD assumes that those donor agents will direct more resources to African countries that demonstrate a commitment to good governance.

Therefore, by calling African countries to sign up for new voluntary governance commitments and practices to the reward of a more equitable and favourable trading system between Africa and its development partners, NEPAD seeks to create important niches involving the lessening of risk on the African continent in return for the reward of greater trade access and markedly stronger investment flow into the region.¹²⁷ To find out if this holds true, the study will investigate Ghana's commitment to peer review (as a credibility test of good governance) to measure the concept of "mutual accountability" and "mutual responsibility." Criteria to be used is the relationship between Ghana's commitment to democracy and political good governance as well as economic and corporate good governance (e.g. the functioning of the legislature, judicial, and executive branches, as well as the civil society sector; and macroeconomic management, public financial management, monetary and financial transparency, accounting and auditing systems, regulatory oversight, and corporate governance) and its effect on increased ODA, FDI. But for the sake of conceptual clarity and in-depth analysis, the study will focus on three components of good governance (the functioning of the legislature,

¹²⁴ Gelb, cited in Ikome, F.N Op. Cit. 104

¹²⁵ Ikome, F.N Op. Cit. 104-105.

¹²⁶ Sadie, Y.: The Quest for Good Governance in Africa: Issues and Debates, Paper presented at the Centre of African Studies Research Seminar Series, Lent 2004, 8 March, Cambridge University, Cambridge, 2004, p. 15.

¹²⁷ Hughes, T.: Composers, producers and players: Harmony and discord in South African foreign policy making, Occasional Papers, Konard-Adenauer Stiftung, Johannesburg, 2004, p. 73.

judicial, and executive branches; macroeconomic management and public financial management; and corporate governance) and their effect on greater ODA and FDI. The selection of these variables is also subject to the availability of information.

The next section will look at two important incentives that NEPAD promotes to attract trade and investment into Africa. These are the promotion of inherent liberal traits such as democracy, peace, and security, and the strengthening of good governance.

5. Understanding NEPAD's link between of democracy, peace, and security

Development is difficult in the absence of peace and security. Poor trade and investment climate in Africa for instance is partly due to ongoing conflict and persistent insecurity in the region. According to Gruzd, African leaders have learnt from their own experience that peace; security, democracy, good governance, human rights and sound economic management are preconditions for sustainable development.¹²⁸ NEPAD also makes an explicit link between development, peace, security and governance. It is based on the principle that “there can be no development without peace and security, governance and stability, economic growth, and international cooperation.”¹²⁹

From the outset, the message is clear: African states reckon that peace promotes prosperity, while bad governance leads to conflict, which in turn retards development. NEPAD asserts that political stability and prosperity depend on security, fair international trade, and access to finance, sound public services and good governance.¹³⁰ According to Venter and Neuland, the promotion of peace and security has been a top priority of NEPAD because the development of the African continent as well as the improvement of the lives of African people have been damaged and destroyed by conflict and insecurity.¹³¹

¹²⁸ Gruzd, S.: “Peace, security and the African Peer Review Mechanism: Are the tools up to the task?” in *African Security Review*, Vol.16, No. 3, 2007, p. 55.

¹²⁹ Landsberg, C *Op. Cit.* 208

¹³⁰ Herbert, R. and S. Gruzd.: *The African Peer Review Mechanism: Lessons from the Pioneers*, the South African Institute of International Affairs (SAIIA), Johannesburg, 2008, p. 4.

¹³¹ Venter, D. and Neuland, E *Op. Cit.* 232

In addition to peace and security, NEPAD promotes the spread of democracy and good governance agenda in Africa. Democracy as understood in the developed countries is not only a source of peace and security but also a precondition for trade and investment cooperation. According to Chabal “democracy should reduce the scope for conflict and make good government more likely...good government should bring about the political stability, the institutional consolidation and the operation of the rule of law that are universally seen as the necessary framework for investment.”¹³² To this end, NEPAD incorporates the APRM into its political landscape as a key instrument to monitor compliance with good governance and mutual accountability among its peer members.

6. Strengthening good governance through peer review

The APRM is the central mechanism used by NEPAD to monitor compliance with good governance agenda among its member countries. Peer review is “a commitment to self-monitoring and accountability for promoting inclusive and constitutional government by relying upon peer pressure in which governments monitor each other.”¹³³ Peer review is not original in Africa. It has been a common practice for years at governmental and non-governmental level particularly among the OECD countries of Europe, North America and Asia. The mechanism has been understood as “the systematic examination and assessment of the performance of a state by other states (peer), by designated institutions, or by a combination of states and designated institutions.”¹³⁴

According to Mathoho, the purpose of a peer review is to encourage states to improve their policy-making capacities, adopt best practices, and comply with agreed standards and principles¹³⁵ in order to affect political stability high economic growth, sustainable development and hasten sub-regional and regional economic integration.¹³⁶

¹³² Chabal, P *Op. Cit.* 447

¹³³ Murithi, T. and Ndinga-Muvumba, A.: Building an African Union for the 21st Century: Relations with Regional Economic communities (RECS), NEPAD and Civil Society, the Vineyard Hotel, Cape Town, South Africa, 2005, p. 143.

¹³⁴ Mathoho, M.: The African Peer Review Mechanism: a panacea for Africa's governance challenges, Policy Review Brief, No. 29, Center for Policy Study, Johannesburg, 2003, p. 2.

¹³⁵ Loc cit

¹³⁶ Adedeji, A *Op. Cit.* 252-3

The APRM is neither a precondition for debt relief or development assistance nor an economic rescue plan to attract foreign investment. It is rather a voluntary self-imposed assessment through which member countries master “the impact of their domestic policies on both internal political stability and economic growth, as well as on neighbouring countries.”¹³⁷ The APRM therefore encourages countries to promote compliance with best practice and mutual responsibility.

Critics of the APRM argue that the mechanism is not a democratic process. This follows allegation that African people are not fully represented in the APRM process. Critics also say that the political system context of socio-economic development of Africa “has been characterized by an over-centralization of power and impediments to the effective participation of the overwhelming majority of the people.”¹³⁸ However, Landsberg argues that “democracy and political governance base of the APRM is fundamentally concerned with ‘measuring popular participation’ and ‘political equality.’”¹³⁹ For him, NEPAD assesses this under several areas including the provision of equal citizen rights; accountable and representative institutions; vibrant civil society; prevention and reduction of intra-and inter-state conflict; the protection of economic, social and cultural rights; the separation powers...etc.¹⁴⁰

Many have conceived the APRM as one of the positive innovations of NEPAD. The APRM seeks to ameliorate the standards of governance and economic management in Africa in order to improve the living conditions of African people by promoting an environment that will attract investment and make development happen.¹⁴¹ It also strives to enhance African “ownership” of its development and governance agenda; to identify, evaluate and disseminate “best practice”; and to monitor progress towards previously agreed governances’ goals.¹⁴²

¹³⁷ Loc cit

¹³⁸ Herbert and Gurzd Op. Cit. 103

¹³⁹ Landsberg, C Op. Cit. 4-5

¹⁴⁰ Loc cit

¹⁴¹ Murithi, T. and Ndinga-Muvumba, A Op. Cit. 36

¹⁴² Ibid. 37

So far, peer review is already underway in the African continent. At least 26 African countries are signatory members to the APRM. While three reviews - Ghana, Kenya and Rwanda - are finished; Mauritius, South Africa, Lesotho and Tanzania are in the process of doing so.¹⁴³

7. Conclusion

In conclusion, this chapter has endeavoured to explain why liberalism best helps respond to the central research question. The chapter has also defined the concept of “partnership” and the idea of “mutual accountability” and “mutual responsibility” as crucial to assessing NEPAD’s success. It has particularly conceptualized the term partnership around the idea of economic cooperation and interdependence which are important aspects of the liberal paradigm. It has shown that, while liberalism views partnership or cooperation between Africa and the industrial world as a positive sum-game, dependency theory sees it as an instrument to increase the overreliance of the centre (the North) on the periphery (the South).

However, it has been found out that NEPAD partners with its development partners on a contractual basis. NEPAD is a mutual agreement, which requires African countries to respect the value of democratic good governance in return for resource mobilization and market access from their development partners. To show compliance with this agreement, NEPAD makes a causal link between democracy, peace and security, and promotes good governance through peer review mechanisms.

Clearly, NEPAD’s partnership does not amount to aid conditionality. It rather amounts to a moral commitment between Africa and the industrial world. But, given the fact that NEPAD’s partnership is not a binding commitment, the challenge ahead is to find out how ‘genuine’ and realistic this relationship is and how does it pave the way from rhetoric to implementation. This issue will be looked at in the next chapter.

¹⁴³ *Ibid.*, 220

This chapter has further explained how NEPAD promotes foreign trade and investment flows into Africa. It has shown that, NEPAD's commitment to partnership, good governance, APRM, democracy and peace and security can ameliorate the trade and investment climate of Africa to affect economic growth and development in the region. The chapter has also clarified the types of criteria that are going to be used to measure "mutual partnership", "mutual accountability" and "mutual responsibility."

The next chapter will attempt to assess the issue of resource mobilization through capital flows and market access in order to measure the effectiveness of the idea of partnership endorsed by the NEPAD programme. This will also help analysing the extent to which NEPAD has contributed in attracting foreign trade and investment into Africa.

Chapter 3: Assessment of the concept of “mutual partnership”: a reflection of NEPAD’s resource mobilization strategy

1. Introduction

There have been a number of international pledges to mobilize resources for development in Africa. These include the MDGs which require \$40 to \$60 billion in additional aid to Africa, and the target of 0.7 % of GDP from EU members as ODA to the continent.¹⁴⁴ NEPAD calls for an additional capital flows of 12 % of GDP or about \$64 billion per annum to Africa to meet an annual economic growth target of 7 % per annum for all the participating countries by the year 2015.

The main purpose of these pledges is among other things to materialize NEPAD’s ambition to alleviate poverty and underdevelopment in Africa which requires huge resource mobilization from both domestic sources and a bulk of resources from outside the continent. NEPAD first recognizes that financing for development must come from domestic revenues. But, given low income and poor domestic savings in the region, the bulk of finance for development will have to come from abroad in the form of FDI and ODA. “In the short and mid-term, additional inflows are expected from aid and higher level of debt relief, while in the longer term private capitals are expected to take up the slack.”¹⁴⁵ Thus, NEPAD’s idea of mobilizing resources from its development partners is a complement to domestic efforts of financing for development.¹⁴⁶

This chapter aims to measure NEPAD’s success in this sectoral priority of resource mobilization which includes the scramble for more capital flows and market access for

¹⁴⁴ Debrah-Karikari, M.: The Significance of NEPAD for Africa, an input at the Global Cooperation Council Seminar on Regional Human Security in Africa, Berlin, 6th December 2003, p. 4.

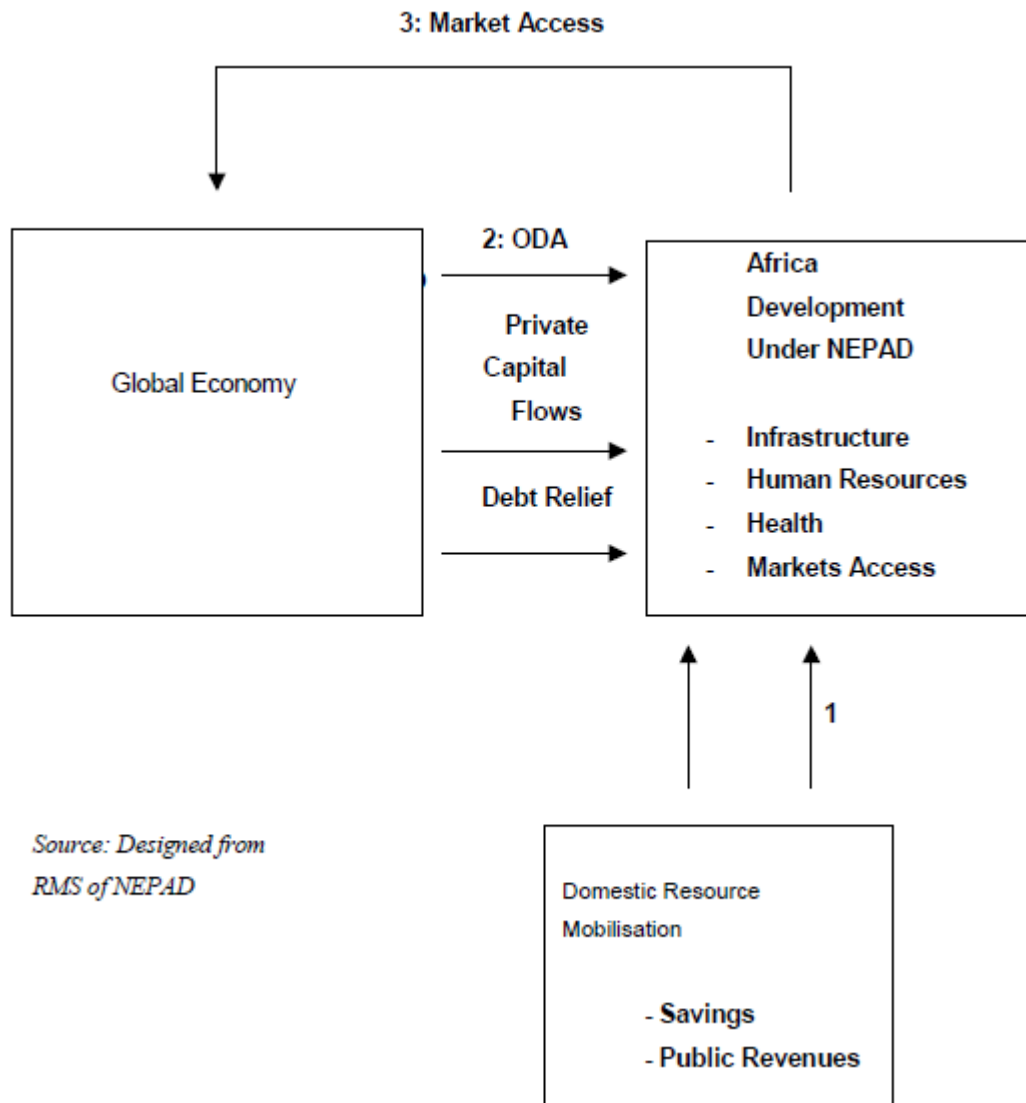
http://www.gc-council.org/download/the_significance_of_nepad_for_africa.pdf

¹⁴⁵ Loxley, J. and H.A. Sackey.: Aid effectiveness in Africa, Journal compilation, AfDB, 2008, p. 164.

¹⁴⁶ Debrah-Karikari, M Loc. Cit. 2

African economies. The conceptualization of the resource mobilization strategy (RMS) of NEPAD is clearly outlined in the diagram below.

Diagram 1: Conceptualization of the RMS of NEPAD



*Source: Designed from
RMS of NEPAD*

See also Moyo, T¹⁴⁷

¹⁴⁷ Moyo, T.: The Resource Mobilization Strategy (RMS) of the New Partnership for Africa's Development (NEPAD): A Critical Appraisal, Paper Prepared for presentation at the African Forum for Envisioning Africa held in Nairobi, Kenya, 26-29 April, 2002.
<http://www.worldsummit2002.org/texts/TheresaMoyo2.pdf>

The unique contribution of this chapter to the central research question is clear. In assessing NEPAD's resource mobilization strategy through capital flows and market access, the chapter answers whether NEPAD as a mutual partnership programme has been successful in attracting foreign trade and investment into Africa. Thus, the chapter is a true reflection of the desire to focus on the concept of "mutual partnership." The idea of analysing the success of NEPAD in Africa as a whole before looking at Ghana (the case study) is to stick with the deductive method of argument that the study aims to follow.

On capital flow, the chapter focuses on how FDI and ODA flows into Africa have evolved since the establishment of NEPAD and the factors that have contributed to that development. These include adherence to market-led policy reforms, partnerships with the industrialized world, as well as improvement in the political conditions of Africa. Although the flow of capital to Africa has substantially increased if not doubled after the adoption of NEPAD, the chapter argues that despite that increase, Africa still receives the lowest share in net capital flow comparing to other developing regions. On the issue of market access, the chapter focuses on the evolution of trade in agriculture in Africa after NEPAD. It will find that, Africa is suffering from supply constraints to access the market of its development partners. But a specific program called the Comprehensive Africa Agriculture Development Program (CAADP) has been established by NEPAD to address this matter and work is so far in progress though at a slow rate.

The chapter also encloses a section on two major contributions made by NEPAD to improve the trade and investment climate of Africa. NEPAD endeavours to change the perception of Africa as a high risk zone for trade and investment and to bridge the infrastructural gap of Africa through Public-Private sector Partnership (PPP). These two issues are of crucial importance for the mobilization of resources to Africa.

2. Exploring the capital flow initiative (CFI) of NEPAD

"A basic principle of the Capital Flows Initiative is that improved governance is a necessary requirement for increased capital flows, so that participation in the Economic and Political Governance Initiative is a prerequisite for participation in the Capital Flows Initiative" (para 147 of the NEPAD Document).

Paragraph 154 of the NEPAD document speaks about its strategy to allure capital flows into Africa. It refers to three major priorities which include (1) addressing investors' perception of Africa as a high risk zone through initiatives relating to peace and security, political and economic governance, infrastructure and poverty reduction; (2) the implementation of PPP capacity-building programme through the African Development Bank (AfDB) and other regional development institutions, to assist national and sub-national governments in structuring and regulating transactions in the provision of infrastructural and social services; and (3) to promote the deepening of financial markets within countries, as well as cross-border harmonization and integration, via a Financial Market Integration Task Force which will initially focus on the legislative and regulatory environment for the financial system.

Capital flow is an urgent need for the development of Africa. According to the 2002 Global Poverty Report (a joint report by the international financial institutions and the AfDB), for the 30 or so African countries that have the capacity to use external assistance effectively, an annual increases of ODA of between \$20-25 billion – from the then level of \$13 billion – would be required.¹⁴⁸ It is for these kinds of reason that NEPAD, in its CFI, has stressed the importance of (i) raising levels of ODA; (ii) reducing the debt of African countries to sustainable levels; and (iii) increasing foreign private capital flows through both direct and portfolio investment.¹⁴⁹

NEPAD's CFI encompasses four thematic areas: increasing domestic resource mobilization through savings, investment and tax reforms; debt relief and debt cancellation; increasing ODA; and attracting more FDI. In terms of ODA reforms, the thrust of NEPAD is basically to increase collaboration with the G8, create an institutional mechanism to monitor ODA flows and harmonize the positions of donors and

¹⁴⁸ Fall, A.: Issues Relating to Capital Flows in Africa: the African Development Bank Perspective, paper presented at a Joint UNITAR/MEFMI Regional Workshop on Legal Aspects of Public Debt Negotiations for Government Officials and Central Bankers from Eastern and Southern Africa, Luanda, Angola - 24 to 28 March 2003, p. 2.

http://www2.unitar.org/dfm/AssessmentReport2003/Luanda/Unpublished/Capital_Flows_Africa.pdf

¹⁴⁹ Fall, A Loc cit, 2-3

recipients.¹⁵⁰ On FDI reform, “the task is to change the perception of Africa as a ‘high risk’ investment zone, promote more investment friendly legislation, canvas for increased ODA and debt reduction and create PPPs to assist governments in facilitating private capital investment.”¹⁵¹

Capital flow is composed into FDI and portfolio investment. It takes the form of FDI when investors have a lasting management interest (typically 10 % or more of the voting power) in the foreign company. On the other hand, “portfolio investment flows include portfolio debt flows (e.g. domestic bonds purchased by foreign investors) and non-debt-creating portfolio equity flows (such as country funds, depository receipts and direct purchases of shares by foreign investors).”¹⁵² The role played by NEPAD in improving FDI inflows into Africa is the subject matter of the next section.

3. The case of FDI: its roles in economic growth and development

FDI plays a prominent role in the economic growth and development of developing countries particularly the marginalized Africans. It provides that much capital needed for investment, it boosts competition in the recipient country industries, and through trade, technology and knowledge transfer as well as improvement in human/or physical capitals, it helps indigenous firms to increase production and to integrate into the global economy.¹⁵³ The advantages of FDI also include serving as a source of capital, creating employment, facilitating market access and the creation of a spill over phenomenon to

¹⁵⁰ Aderemi, A.: Towards an Interpretation of Africa’s Development Process: NEPAD and the New Global Orthodoxy, being Paper Presented at the International Conference on The Challenges of NEPAD, AfricAvenir Foundation for Development, International Cooperation and Peace, Yaoundé, Cameroon, October 24-25, 2002, p. 18.

<http://www.africavenir.org/uploads/media/AderemiNEPAD.pdf>

¹⁵¹ Loc cit

¹⁵² Ahmed, F. Arezki, R. and Funke, N.: “The composition of Capital flows to South Africa” in Journal of International Development, Vol. 19, Issue 2, 2007, p. 276.

¹⁵³ Ajayi, S. I.: FDI and Economic development in Africa, Paper for presentation at the ADB/AERC International Conference on Accelerating Africa’s Development Five years into the Twenty-First Century, Tunis, Tunisia November 22-24, 2006, p. 1.

<http://www.afdb.org/fileadmin/uploads/afdb/Documents/Knowledge/09484246-EN-FDI-AND-ECONOMIC-GROWTH.PDF>

local firms in terms of technology and efficiency.¹⁵⁴ FDI is also crucial for introducing widespread technological change, complementing domestic investment, improving competition within firms, and providing access to skills and global markets.¹⁵⁵

Within the context of the development debate, FDI can be a stimulus plan for growth. In the African context, it is mainly a remedy for two chronic issues affecting the continent notably the savings gap and the shortage of technology and skills. So, the importance of FDI in Africa is not just to accumulate financial capital but also to improve the managerial and technological know-how that can help productivity to grow.¹⁵⁶

The importance of FDI as a source of capital is reflected in the NEPAD document. Paragraph 150 of NEPAD notes that, “NEPAD seeks to increase private capital flows to Africa, as an essential component of a sustainable long-term approach to filling the resource gap.”¹⁵⁷ NEPAD acknowledges the importance of FDI for African economies. It perceives it as a tool to translate its vision for economic growth and development into reality.¹⁵⁸ This is because like many other developing countries, Africans lack domestic savings to finance growth and development. Therefore, to fill its savings gap, Africa became reliant on external revenues (including FDI) from its development partners.

Also, within a market-led approach to growth and development like NEPAD, FDI should certainly provide the bulk of capital needed to fill the resource gap of Africa. NEPAD encourages Africa to make use of other external resources particularly FDI to alleviate poverty and underdevelopment. Therefore, filling the annual resource gap of US\$64 billion (as projected by NEPAD) necessary to meet the MDGs of reducing poverty by half by 2025 requires a substantial increase in FDI. The next section determines whether FDI conditions have improved after the adoption of NEPAD.

¹⁵⁴ Loc. Cit

¹⁵⁵ Mlambo, K.: “Reviving Foreign Direct Investments in Southern Africa: Constraints and Policies” in African Development Review, Vol.17, Issue 3, 2006, p. 558.

¹⁵⁶ Ajayi, S. I Op. Cit. 3

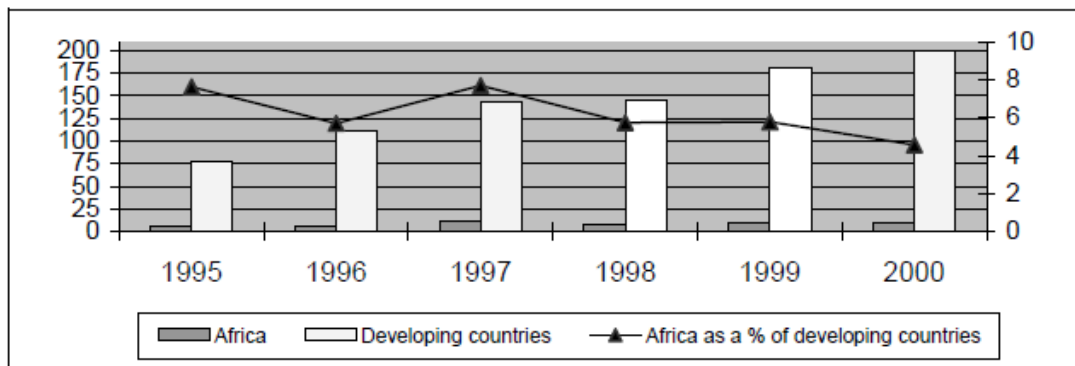
¹⁵⁷ NEPAD Document, paragraph, 150.

¹⁵⁸ Ajayi, S. I Op. Cit. 1

3.1 Recent Trends in FDI to Africa

In the late 1990s prior to the adoption of NEPAD Africa faced a steady decline in FDI. However, after the adoption of NEPAD, the share of FDI in Africa has gradually increased. FDI to Africa has for instance increased from a lower level of 10.3% in 2002; to 18.6% in 2005 though it declined to 15.7 % in 2006 (see Table 2). Nonetheless, although the amount of FDI to Africa has increased substantially in recent years, its share still remains the lowest compared to other regions. In other words, there has been a steady improvement in the level of FDI to Africa yet its share comparing to other regions has not significantly improved.

Figure 1: Annual FDI inflows to Africa prior NEPAD (US\$ billions)



Source: World Investment Report (UNCTAD 2001)

In fact, Africa experienced a poor performance in terms of FDI before the establishment of NEPAD. When comparing to all developing countries (excluding China) Africa's share of FDI decrease from 7.7% between 1995 and 1997 to 4.6% in 2000 (see Figure 1). To add, the continent received a margin of 1.4% of the world DFI between 1995 and 2000.¹⁵⁹ The reasons behind this poor performance are complex. First, most countries in Africa had thin financial market and were not able to raise capital from international capital market.¹⁶⁰ For example, South Africa alone received almost all portfolio

¹⁵⁹ Dahl, J. and Shilimela, R.: "NEPAD and the African 'resource Gap': A critical examination", *NEPRU Working Paper*, N0.87, December, 2002, p. 15.

¹⁶⁰ Asiedu, E.: "Policy Reform and Foreign Direct Investment in Africa: Absolute Progress but Relative Decline" in *Development Policy Review*, Vol. 22, No. 1, 2004, p. 42.

investment in the region (\$8.6 billion) in 1998.¹⁶¹ Also, African countries tended to be less open than other developing economies; and were perceived by foreign investors as high risk zone. This led the region to be left behind others in terms of FDI.

Second, while FDI in sub-Saharan Africa (SSA) increased substantially in the 1990s, its growth rate as compared to other developing regions was relatively meagre. Between 1980-89 and 199-99, FDI in SSA grew by 218% comparing to an increase of 990%, 560% and 789% for East Asia, Latin America and South Asia respectively.¹⁶² Consequently, Africa's share of FDI to developing countries declined from 19% in the 1970s, to 9% in the 1980s and to about 3% in the 1990s.¹⁶³

The picture has relatively improved in recent years after NEPAD. For instance, even though Africa continues to have the lowest share in global capital flows, its FDI situation doubled between 2000 and 2004 from 3.8% to 6.8% (see Table 1). Table 1 explains the regional distribution of net private capital flows to developing countries after the year 2001. It shows that net private capital flows to developing countries rose from about \$41 billion in 1990 to reach \$301 billion in 2004. FDI contributed to the largest share of this increase accounting for \$165.5 billion in 2004, while portfolio flows accounted to \$26.8 billion in 2004. FDI (which increased from \$1.3 billion in 1990 to 17.1 billion in 2004) also accounted for a large share in net capital flows in Africa. Portfolio investment which had been marginal comparing to FDI at the beginning of 1990s increased to US\$3.5 billion in 2004 as well.¹⁶⁴

Yet, the region still remained largely on the margins of the boom in private capital flows that occurred in the early 2000.¹⁶⁵ Its share of net capital flows to developing countries was only 5.7 % compared with 34.4 %, 34.3 % and 17.8 % for East Asia, Europe and Central Asia and Latin America and the Caribbean respectively and its share of FDI was only 6.8 % compared with 38.4 %, 22.7 % and 25.6 % in the same order. Likewise, the

¹⁶¹ Loc cit

¹⁶² Ibid. 41

¹⁶³ Ibid. 41

¹⁶⁴ Mlambo, K Op. Cit. 553

¹⁶⁵ Mlambo, K. Loc cit. 553

investment ratio is relatively below the average figures of East Asia (34.4) and South Asia (31%).¹⁶⁶

Table 1: Regional distribution of net capital flows to developing countries (1990-2004)

Region	Net private capital flows			FDI flows			Portfolio flows		
	1990	2000	2004	1990	2000	2004	1990	2000	2004
<i>US billion dollars</i>									
Sub-Saharan Africa	1.3	9.3	17.1	0.834	6.3	11.3	-0.031	4.2	3.5
East Asia and Pacific	17.7	25.8	103.5	10.347	44.2	63.6	0.101	4.8	13.6
Europe and Central Asia	–	50.4	103.4	–	29.2	37.6	–	1.3	3.6
Latin America and Caribbean	12.4	81.1	53.6	8.188	78.9	42.4	0.997	-0.6	-1.5
Developing countries	41.9	178.2	301.3	23.687	166.2	165.5	3.249	12.4	26.8
<i>Percentage shares</i>									
Sub-Saharan Africa	3.1	5.2	5.7	3.5	3.8	6.8	-0.95	33.9	13.9
East Asia and the Pacific	42.2	14.5	34.4	43.7	26.6	38.4	3.11	50.5	38.7
Europe and Central Asia	–	28.3	34.3	–	17.6	22.7	–	13.4	10.5
Latin America and Caribbean	29.6	45.5	17.8	34.6	47.5	25.6	30.69	-5.6	-4.8
Developing countries	100	100	100	100	100	100	100	100	100

Source: World Bank (2005): Global Development Finance: Mobilizing Finance and Managing Vulnerability', World Bank, Washington DC

By 2006, FDI inflows to Africa broke another record of 20% increase reaching US\$ 36 billion.¹⁶⁷ Private capital flows also rose to US\$ 25 billion (excluding remittance which accounted for US\$35 billion). In the same year, Africa also saw a significant increase in net capital flows from US\$13 billion in 2002 to over US\$ 60 billion in 2006 (North Africa: US\$ 3 billion to US\$ 26 billion; sub-Saharan Africa: US\$ 10 billion to 36 billion) (see also Table 2). Within this, FDI accounted for US\$ 35.5 billion while the ration of

¹⁶⁶ OECD: 9th Meeting of the Africa Partnership Forum, Highlighted Issues: Governance, Finance, Investment, Trade, and Infrastructure, Algiers, Algeria, 12-13 November 2007, p. 8. <http://www.oecd.org/dataoecd/6/23/41078136.pdf>

¹⁶⁷ Ibid. 6

investment to GDP rose from 17% in 2000 to over 20% in 2006.¹⁶⁸ This indicates that foreign investments into Africa have been increasing over years after NEPAD came into being.

Table 2: Regional Distribution of Net Private Capital Flows to Africa
(US\$ billion)

	2002	2003	2004	2005	2006 (preliminary)
Net FDI flows	12.9	18.5	18.0	29.6	35.5
North Africa	2.6	5.4	6.6	11.5	19.8
Sub-Saharan Africa	10.3	13.1	11.4	18.6	15.7
Net portfolio equity flows	-0.6	0.8	7.3	8.2	13.5
North Africa	-0.2	0.1	0.6	0.8	1.0e
Sub-Saharan Africa	-0.4	0.7	6.7	7.4	12.5
Net bank debt flows	-2.6	-1.8	-0.2	5.4	9.9
North Africa	0.1	-0.5	-0.6	3.2	3.5e
Sub-Saharan Africa	-2.7	-1.3	0.4	2.2	6.4
Net bonds flows	3.4	5.6	1.4	1.8	2.9
North Africa	0.6	1.0	0.1	1.4	1.5e
Sub-Saharan Africa	2.7	4.6	1.3	0.4	1.4
Total (net) private capital flows	13.1	23.1	26.5	45.0	61.8e
North Africa	3.1	6.0	6.7	16.4	25.8e
Sub-Saharan Africa	10.0	17.1	19.8	28.6	36.0

Sources: UNCTAD, World Investment Report (2007) and World Bank, Global Development Finance (2007)

Finally, despite the recent global financial meltdown, FDI inflows to Africa yet broke another record high of \$88 billion in 2008 resulting in an increase of FDI stock in the region to US\$ 511 billion (see also Figure 2).¹⁶⁹ The increase also occurred in four of the five sub regions of the continent. According to UNCTAD “North Africa attracted 27% of the FDI to the region in 2008, compared with 36% in 2007; and the 47 countries of sub-Saharan Africa attracted 73% in 2008, up from 64% in 2007.”¹⁷⁰ This sustained but slightly high FDI increase “led to an increase in the regions’ share of global FDI to 5.2%, as compared with 3.5% in 2007, and raised its FDI stock by 20%.”¹⁷¹

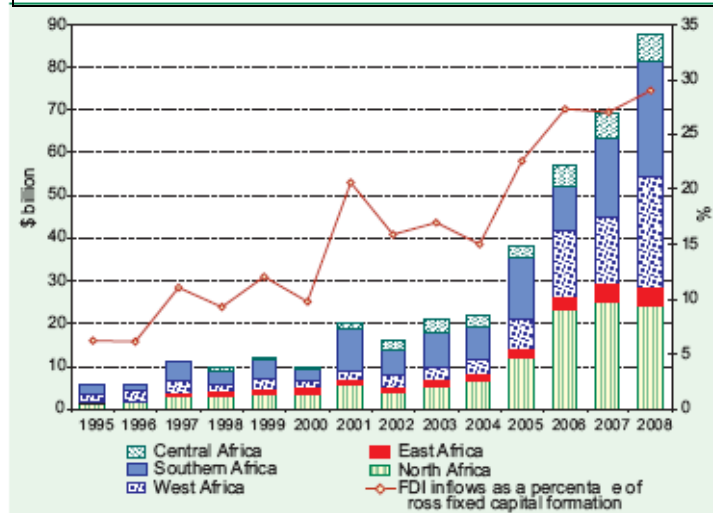
¹⁶⁸ *Ibid.* 2

¹⁶⁹ UNCTAD: *World Investment Report: Transnational Corporations, Agricultural Production and Development*, United Nations, New York and Geneva, 2009, p. 42.

¹⁷⁰ *Loc cit.* 43

¹⁷¹ *Loc cit.* 43

Figure 2: FDI inflows, by value and as a percentage of gross fixed capital formation, by region, 1995-2008



Source: UNCTAD, FDI/TNC database
(www.unctad.org/fdistatistics)

In addition to improvement in total FDI, there has also been a new development in recent years in terms of reversing inequality in FDI within African countries. Previously, FDI to Africa were significantly driven by “natural resource development, as has been the case with oil countries such as Angola, Nigeria and Equatorial Guinea.”¹⁷² The extractive industries in these countries accounted for most of the increase in FDI inflows. In addition to resource rich countries, the bulk of FDI inflows to Africa have also been largely concentrated in industrialized countries such as South Africa.

Conditions have improved so far in terms of diversifying FDI destination. According to UNCTAD, FDI inflows rose in 40 out of 53 countries in Africa in 2004.¹⁷³ In addition to investment in the resources sector, FDI to Africa include manufacturing, tourism and services in that year. But given the scarcity of information/data, the chapter is only going to explore the manufacturing sector.

¹⁷² Dahl, J & Shilimela R *Op. Cit.* 15

¹⁷³ OECD: *Africa Partnership Forum, 7th Meeting of the APF, Resources for Development in Africa*, The President Hotel, Moscow, Russia, 26-27 October 2006 (APF/MOS-2006/15), p. 11.
<http://www.oecd.org/dataoecd/63/63/37702309.pdf>

Conditions have also improved so far in terms of diversifying the sector of investment in Africa which is an important aspect of the capital flow initiative of NEPAD. UNCTAD statistics show that in 2006, FDI accounted for an important share of the total investment in several non-oil producing countries. In Egypt and Morocco (the top African FDI recipients of the year), non-oil industries such as agriculture, communication, manufacturing, baking and tourism received most of FDI inflows. As shown in Table 3 “with one or two exceptions, these countries tend to be better managed, highlighting the importance of improving the investment climate and overall governance.”¹⁷⁴ Therefore, while the extractive industries continue to attract most FDI, countries that govern justly are equally likely to benefit from foreign investment.

Table 3 FDI inflows as Share of Gross Fixed Capital Formation in Selected Non-Oil Producing Countries, 2006

Country	FDI Inflows (US\$ million)	FDI/GFCF (%)
Botswana	274	15%
Congo	344	26%
Egypt	10043	50%
Ghana	435	18%
Guinea	108	23%
Madagascar	230	18%
Mali	185	15%
Morocco	2898	22%
Namibia	327	20%
Sierra Leone	43	17%
Tunisia	3312	49%
Zambia	350	19%

Source: UNCTAD, World Investment Report 2007.

3.2 The leading factors of FDI improvement in Africa after NEPAD

The causes of FDI improvement in Africa are numerous. In the 1990s, rising prices of commodities including oil explained the growth of FDI. But in 2008 “buoyant global growth and low interest rates”¹⁷⁵ were the leading factors to high FDI in Africa. However, evidence in 2006 shows that some of these FDI inflows were driven by preferential access to developed-country markets through initiatives like the African

¹⁷⁴ Loc cit. 12

¹⁷⁵ Mlambo, K Op. Cit. 554

growth and Opportunity Act (AGOA) of the U.S. and the Everything but Arms (EBA) initiative of the EU.¹⁷⁶ This suggests that the liberal notion of free trade does also lead to high FDI which has been the case in Africa over the recent period.

In broad terms, policy reforms, adherence to market-led policies and partnership with development partners through NEPAD are major contributing factors to the improvement of FDI in Africa over the last eight years. Many African countries have so far adopted different policy measures and incentives in line with NEPAD to improve investment climate in Africa. This included such measures as the adoption of a new investment code to attract foreign investors in Burundi; the establishment of various free industrial zones in Egypt; the privatization of a number of utilities in Kenya; the ratification of competition legislation and restrictions on monopolies and collusion in Mauritius; and on the other hand the introduction of a new tax regime raising the tax rate in the mining industry from 31.7% to 47% in Zambia.¹⁷⁷

After the adoption of NEPAD, African countries are now in favour of openness to trade and foreign investment. According to UNCTAD, of the 53 regulatory changes observed by UNCTAD in Africa in 2005, 42 were favourable to FDI, while 11 made the environment less favourable.¹⁷⁸ In 2007, African countries introduced significant FDI-related policy and institutional reforms at both national and regional levels. Their development partners including major home countries, and regional multilateral entities, also took significant steps that have influenced FDI inflows into Africa.¹⁷⁹ Together with NEPAD, they have established an African Investment Initiative and have teamed up to change the risky investment climate of Africa.

¹⁷⁶ OECD *Op. Cit.* 31

¹⁷⁷ UNCTAD: *World Investment Report: Transnational Corporations and the infrastructure challenge*, (WIR08) United Nations, New York and Geneva, 2008, p. 48.

¹⁷⁸ UNCTAD: *World Investment Report: FDI from Developing and Transition Economies: Implications for Development*, United Nations, New York and Geneva, 2006, p. 46.

¹⁷⁹ UNCTAD *Op. Cit.* 43

3.3 Role of NEPAD in high FDI in Africa: the NEPAD African Investment Initiative and partnership with development partners to improve the investment risk perception of Africa

NEPAD has been a catalyst platform in mobilizing resources to Africa for development. It plays a leading role in bringing more FDI influx into the region. Perhaps the most important mechanism created by NEPAD to attract FDI to Africa is the establishment of the African Investment Initiative and the building of PPP for infrastructure development.

NEPAD seeks to change the perception of Africa as a high-risk continent in terms of foreign investment. It sees the need to increase private capital flows to Africa as “an essential component of a sustainable long-term approach to filling the resource gap.” Doing so requires actions to address risk perception, building PPP, and deepening capital markets.¹⁸⁰

Political instabilities in some African countries affect investor sentiments. They have for instance led FDI inflows to decline from a peak of \$17 billion in 2001 to \$6 billion in 2002.¹⁸¹ Macroeconomic uncertainty or instability also constitutes a high perception of risk which is not favourable to both domestic and foreign investors. On the contrary, macroeconomic stability yields to attractiveness in investment in general and an expansion of FDI in particular.¹⁸²

The international community including NEPAD’s development partners have taken various steps to support Africa’s developmental endeavours. These include micro-finance, assistance for institutions in private sector development, and support for structural reforms to improve the business environment. Specific actions to address the investment climate include “the Enhanced Private Sector Assistance (EPSA) for Africa,

¹⁸⁰ OECD *Op. Cit.* 7

¹⁸¹ Economic Commission for Africa (ECA): Economic Report on Africa: Accelerating the Pace of Development, UN, Addis Ababa, 2003, p. 29.

¹⁸² Mlambo, K *Op. Cit.* 563

the Foreign Investment Advisory Service of the International Finance Corporation, the NEPAD/OECD Africa Investment Initiative, and the Investment Climate Facility.”¹⁸³

More broadly, “the international community has stepped up its support for infrastructure, which is also a key to attracting more investment, in particular through the Infrastructure Consortium for Africa” (ICA).¹⁸⁴ “The ICA is one of the major outcomes of the G8 response to the NEPAD infrastructure development programme. The Consortium, which was inaugurated in October 2005, is a major effort among donors to accelerate progress to meet the urgent infrastructure needs.”¹⁸⁵ These initiatives have led to a significant improvement in the investment climate of Africa.

Box 1 explains the role of the NEPAD/OECD African Investment Initiative in reducing the investment risk perception in Africa. The purpose of the NEPAD-OECD Africa Investment Initiative is to support African countries to improve their investment climate by identifying obstacles, facilitating regional co-operation and implementing economic reforms. It is the largest regional policy forum on investment in Africa which is supported by a range of international, regional and industry partners which all bring specific expertise in country review and reforms.¹⁸⁶ The project mainly addresses the challenge of infrastructure gap in Africa to impact positively on trade and investment.

Overall, investment climate has so far improved in Africa over the last couple of years. Africa has taken major steps to improve its investment climate through stable macroeconomic environment, progress towards reforming economic policies and towards reducing the complexity and cost of regulation, and improving transparency and tackling corruption. Africa scored “the third-fastest region in terms of reforming its economic

¹⁸³ OECD Op. Cit. 41

¹⁸⁴ Ibid. 7

¹⁸⁵ AfDB: The 2006 ADB Annual Meetings Ministerial Round Table and High Level Seminars on: Infrastructure Development and Regional Integration, Jointly Organised with the UN Economic Commission for Africa, Ouagadougou Conference Centre, 15-16 May 2006, p. 6.
<http://www.afdb.org/fileadmin/uploads/afdb/Documents/Knowledge/14710235-EN-OUADADOUGOU-2006-MINISTERIAL-ROUND-TABLE-SYNTHESIS-REPORT.PDF>

¹⁸⁶ OECD: Beyond the Crisis: Mobilizing Resources in Africa, 2009.
<http://www.oecd.org/dataoecd/52/25/44057928.pdf>

regulations in 2005. Three African countries featured among the top 10 reformers for 2006/07 in the World Bank's latest 'Doing Business' survey."¹⁸⁷ Even so, the cost of doing businesses in the region still remains the highest in the world.

Box 1: NEPAD/OECD African Investment Initiative

Box. II.2. The need for an integrated approach to attract FDI to Africa and benefit from it: an African Investment Initiative

To attract FDI and benefit more from it requires the right conditions. An African Investment Initiative would help countries of the region in creating such conditions. The past few years have seen various initiatives that can help in this respect. It would be appropriate for interested intergovernmental and civil society organizations to coordinate, with NEPAD, the aspects of their work that deal with FDI—an African Investment Initiative.

Improving the national investment framework

Investment Policy Reviews can provide governments with a tool for assessing where they stand in attracting FDI and benefiting more from it. Such Reviews also incorporate a medium-to-long term perspective on how to respond to emerging regional and global opportunities. Other activities, such as identifying administrative barriers to investment and reviewing investment incentive regimes, are relevant as well.

Improving the international investment framework

African countries need to participate as effectively as possible in discussions and negotiations of international investment agreements—to ensure that their interests are properly reflected. This requires training of investment negotiators and background policy analysis, including in cooperation with African academia and faculty and institutions of higher learning, for the purpose of local capacity-building. The negotiation of BITs and DTTs is also relevant here, as is the negotiation of regional investment frameworks and assistance to African countries in investment discussions in WTO. Investment agreements are becoming increasingly important as they set the framework for national FDI policies.

Supporting national investment promotion efforts

African IPAs have joined the World Association of Investment Promotion Agencies, which offers training and capacity building

/...

Source: UNCTAD (WIR03)

In spite of considerable improvement in the investment climate in many African countries in recent years, the region still faces a series of obstacles, some of them policy related and others structural. This includes poor infrastructure, unskilled labour force, weak regulatory environment, and inefficiency of government bodies which all increase the cost of doing business in the region, thus deterring foreign capital.¹⁸⁸

Evidence suggests that for a country to become an investment destination it must improve “the structure and administration of taxes and investment regulations, the legal, judicial and financial systems, administrative ‘red’ tape and corruption which are all significant in

¹⁸⁷ OECD *Op. Cit.* 7

¹⁸⁸ Fall, A *Op. Cit.* 4

raising the cost of doing business.”¹⁸⁹ Also, FDI flows are mostly determined by the size of the regional economy, the size of the population and its purchasing power, risk and macroeconomic uncertainty, administrative barriers, and underdeveloped financial capital markets which are yet to be addressed in some African countries.¹⁹⁰

Africa is not doing well in terms of lowering the cost of doing business in the region which continues to remain the highest in the world. This poses a lot of challenges to entrepreneurs who want to invest in the region. They find themselves in the middle of greater regulatory and administrative burdens, less protection of property and investor rights, than entrepreneurs elsewhere in the world, and above all of these, they face inadequate infrastructure which in many cases reduces their return to investment.¹⁹¹ “The World Bank, for example, estimates the infrastructure constraint on doing business reduces the productivity of Africa’s firms by as much as 40%.”¹⁹² Also, “the lack of sufficient and reliable transport and energy infrastructure not only reduces business-efficiency, it also limits the volume of regional and international trade and hampers regional integration.”¹⁹³ NEPAD addresses this issue through partnership with its development partners to bridge the infrastructural gap in Africa to further improve the flow of capital into the region.

Therefore, back to the concept of mutual partnership, one could then argue that, Africa has attained substantial progress after the formation of NEPAD which has encouraged its development partners to increase FDI inflows into the region. For instance, partnership between Africa and its development partners occurred particularly along the line of the NEPAD/OECD African Investment Initiative and the creation of PPP for infrastructure development in response to policy reforms, improvement in macroeconomic stability,

¹⁸⁹ Mlambo, K *Op. Cit.* 565

¹⁹⁰ *Ibid.* 561-62

¹⁹¹ Africa Progress Panel: *Annual Report of the Africa Progress Panel 2009: An Agenda for Progress at a Time of Global Crisis: a Call for African Leadership*, Geneva, 2009, p. 12.
http://www.africaprogresspanel.org/EN/publications/AnnualReport2009/20090610-APP2009_Annual_Report_EN.pdf

¹⁹² *Loc cit*

¹⁹³ *Loc cit*

risk perception, investment climate, openness to trade and investment and overall governance in Africa.

Having explained the changing dynamics of FDI in Africa after NEPAD what remains to be highlighted now is how ODA flows have evolved since 2001.

4. The case of ODA: its role in economic growth and development

In general, the purpose of aid has long been to invest in projects such as infrastructural development, the expansion of social services, research and development.¹⁹⁴ In Africa, foreign aid is vital to finance several types of activities including discrete investment projects; technical assistance; budget deficit through macroeconomic and reform programs; and external debt services.¹⁹⁵ ODA also constitutes a substantial share of the budgets of many African countries.

There is a positive correlation between high aid and high growth. Africa is transiting from low aid-negative growth to high aid-positive growth. A study conducted by the AfDB found that from 1995 to 2004 “ the number of countries occupying the low aid-negative growth stratum has fallen from 15 to 5 countries, whereas high aid-high growth performing countries have increased from 5 to 12 countries.”¹⁹⁶ NEPAD’s growth and good governance initiative as well as its support to the MDGs are among the factors that have likely led to improved ODA flows into Africa.

4.1 Assessing Aid commitments to Africa

NEPAD has promoted a number of international partnership agreements to increase ODA to Africa since its establishment. First, substantial commitments were made by the

¹⁹⁴ Wangwe, S.: Foreign Aid in Africa: Role, Experiences and Challenges, background Paper for the AfDB Conference in Tunis, 22 November 2006, p. 8.

<http://www.afdb.org/fileadmin/uploads/afdb/Documents/Knowledge/09484248-EN-FOREIGN-AID-IN-AFRICA-15NOV06.PDF>

¹⁹⁵ Loc cit. 12

¹⁹⁶ Loxley, J. and H.A. Sackey Op. Cit. 171

international community at Monterey in March 2002 and latter in Kananaskis to increase ODA by a total of US\$ 12 billion per year by 2006. The initiative further purposed “to improve aid effectiveness, reduce the burden of aid management, and to assist eligible countries through the HIPC’s debt relief initiative.”¹⁹⁷

Second, additional commitments were made by the G8 and the EU to increase aid commitment to Africa in 2005. The G8 agreed to cancel 100 % of outstanding debt of eligible Heavy Indebted Poor Countries (HIPC’s) to financial institutions like the IMF, and the AfDB, and to provide additional resource to ensure that the financing capacity of the international financial institutions would not be expected from principal repayments on the forgiven debt.¹⁹⁸ “This is worth US\$40 billion and could reach US\$550 billion as more countries qualify.”¹⁹⁹ The commitment includes 18 of the world’s poorest countries, most of which are in Africa.

On the other hand, commitment by the EU to increase ODA to Africa was made via the OECD. The latter predicts that total aid levels in 2010 will be \$128 billion, an increase of \$48.5 billion over 2004 level.”²⁰⁰ In terms of this pledge, the EU member countries committed to spend 0.7% of their annual GDP on aid by 2015, and to double its aid commitments by 2010 by providing an additional \$40 billion with a new interim collective target of 0.56% ODA/GNI by 2010.²⁰¹ The EU 2015 target include an interim collective target of 0.56% in 2010, and nearly double its ODA from euro 34.5 billion to 67 billion with at least half of these increases going to Africa.²⁰² As a result of these commitments, ODA flow to Africa has increased in relative terms over the recent period. The increase has been at a slow rate though and this is mainly because most of the ODA inflows went on debt relief and debt cancellation.

¹⁹⁷ OECD Op. Cit. 17

¹⁹⁸ Ibid. 20

¹⁹⁹ Wangwe, S Op. Cit. 18

²⁰⁰ Lo cit

²⁰¹ Lo cit

²⁰² OECD Op. Cit. 20

Development assistance to the region rose from US\$16.4 billion in 2001 to US\$40.7 billion in 2006, following donors' commitment to their Monterey pledge and major progress on debt relief. Significant commitments have also been made by donors in the area of debt relief and debt cancellation under the HIPC and the Multilateral Debt relief initiative (MDRI). Under the MDRI, lending agencies such as IMF and AfDB would provide 100 % debt relief on eligible debt to countries that had completed the HIPC initiative.²⁰³ The HIPC was established in 1996 to reduce the debt burden of eligible countries while in addition to this the MDRI was launched in 2005 to provide additional resources to help them meet the MDGs.

Furthermore, development assistance including debt relief to SSA increased from US\$13.9 billion to US\$37.7 billion over the same period.²⁰⁴ Of the 26 countries benefiting from the HIPC initiative, 22 are from Africa, and this initiative is now yielding more than US\$800 million in cash savings for African countries. Discussions included the call for HIPC to show good governance, prudent new borrowing and good debt management, as debt relief alone cannot guarantee fiscal solvency, long-term economic growth and social development.²⁰⁵

The G8 in particular have fully complied with the commitments they made at Gleneagles to cancel all debts owed by eligible HIPC to IMF, IDA, and the AfDB. However, "while donors have made significant progress in meeting commitments on debt relief, they have made relatively less effort in fulfilling the pledges made on scaling-up aid and improving aid effectiveness."²⁰⁶

To add, only few countries have met their 0.7 % GNI ratio of ODA commitment. In 2004, the average ratio for DAC members was 0.26 percent. While countries like Denmark, Luxemburg, the Netherlands, Norway, and Sweden met their target, Belgium, France, Portugal, and Switzerland made significant progress but failed to meet their

²⁰³ Economic Commission for Africa: Economic Report on Africa: Accelerating Africa's Development through Diversification, United Nations, 2007, p. 1002.

²⁰⁴ OECD Op. Cit. 20

²⁰⁵ Dahl, J. and Shilimela, R Op. Cit p. 11

²⁰⁶ UNECA Op. Cit. 102

target.²⁰⁷ The G8 Research group at the University of Toronto, Canada, described the group's commitment to aid plea as work in progress.²⁰⁸ One of the reason why G8 countries as a group have not fully complied with commitments to scale-up aid to Africa is that some of them have not made much progress in following through on their commitments to double ODA to Africa while others who have made much progress in their commitment such as the U.S.A have not made enough commitment to double their aid to Africa by 2010.²⁰⁹

So, while development partners have partially committed to their aid commitment, the HIPC's initiative has absorbed most of it. As a result, aid policy to Africa remains intangible. This means, it becomes difficult to assess whether mutual partnership between Africa and their development partners in terms of ODA has been accomplished. This is partly due to the fact that, the modest increase in ODA to Africa after NEPAD has by and large serviced debt cancelation.

4.2 Trends in ODA

Figure 3 below shows that historically, ODA flows were largely concentrated in emerging economies such as East Asia. In Africa, the trends have changed since the 1979 oil shock and further improved particularly after NEPAD. Africa now accounts for a significant share in ODA. Africa's share of ODA rose from 27% from 1993 – 1994 to 36 percent during the period of 2003 to 2004 while other regions enjoyed less than 25% in the same period (see figure 3.3).²¹⁰ This positive performance has yielded to economic growth and development in the region. Figure 4 also shows that “total ODA to SSA reached a peak of \$19 billion in 1992 and declined for most of the 1990s. The trend in per capita ODA also follows similar pattern.”²¹¹ The figure also show that despite poor performance in ODA to Africa from 1990 to the year 2000, Africa started to witness some improvement in ODA right after the year 2001.

²⁰⁷ *Ibid.* 99

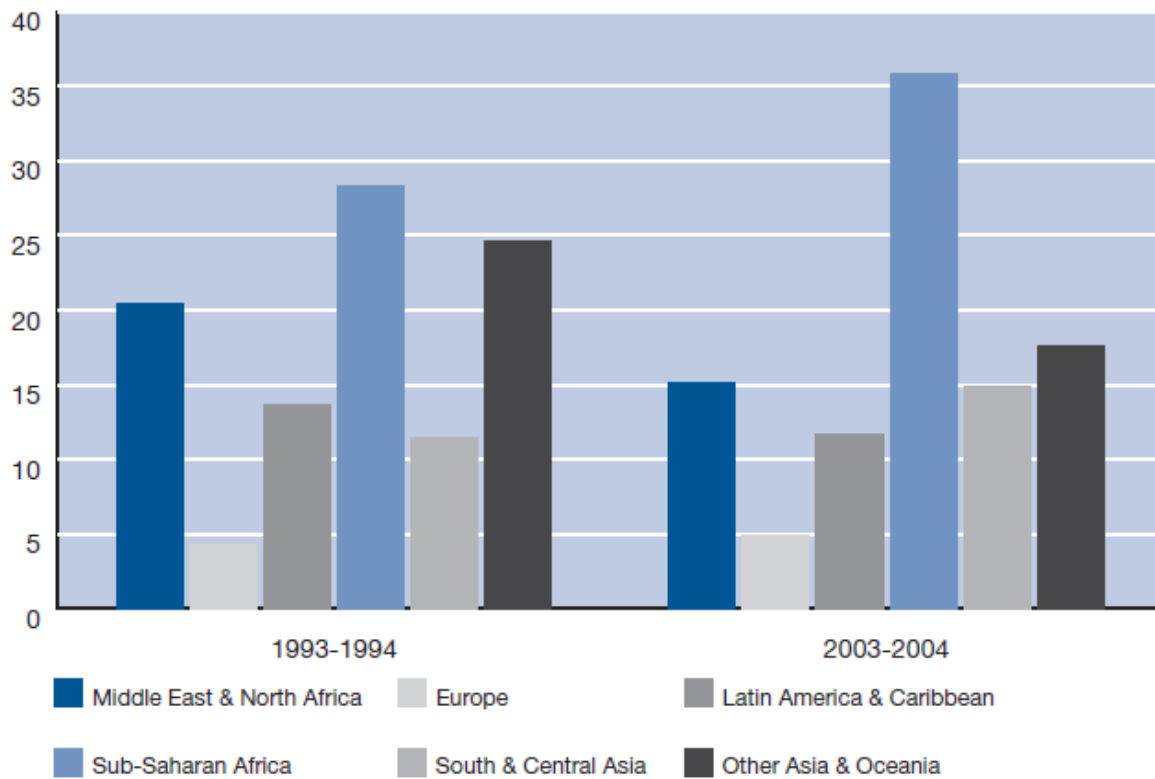
²⁰⁸ *Ibid.* 100

²⁰⁹ *Ibid.* 100

²¹⁰ *Ibid.* 92

²¹¹ *Ibid.* 92

Figure 3: Regional distribution of ODA (% of total disbursements)



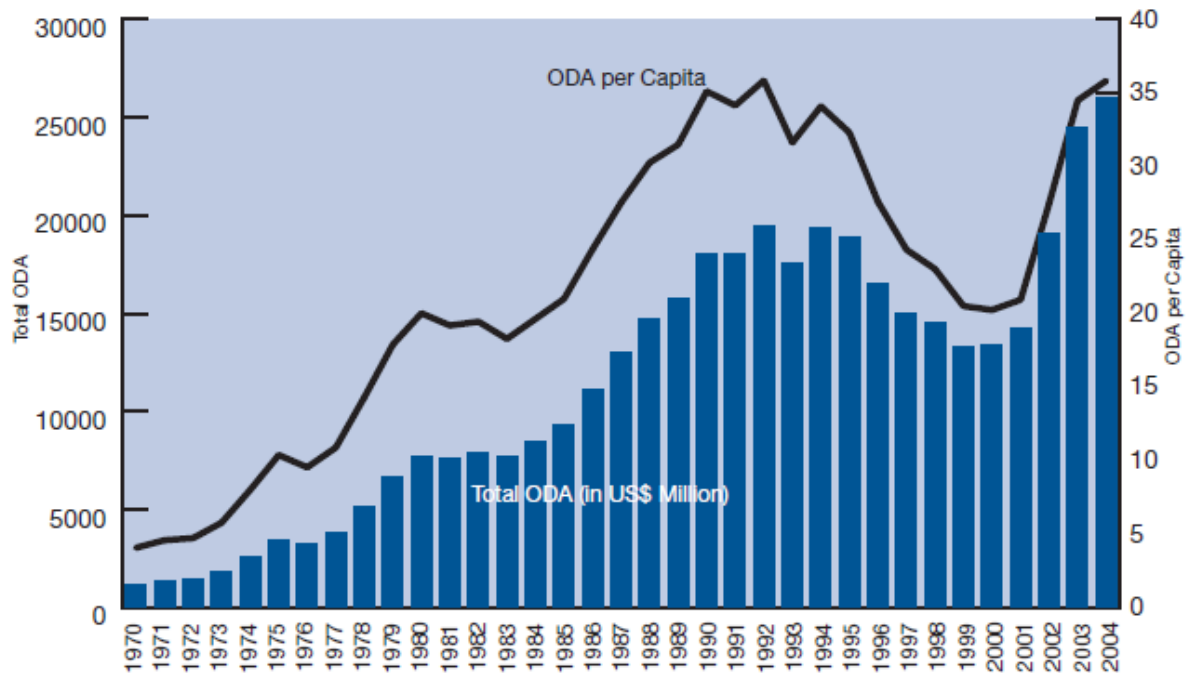
Source: World Bank 2006.and ERA 2007

As far as aid for infrastructure development is concerned, the Commission for Africa Report deriving from the NEPAD programme sets targets for financing for investment in infrastructure in Africa at US\$ 20 billion, representing nearly 30 percent of the total resource requirement for growth.²¹² In terms of ODA, the Commission has called for immediate doubling of aid up to \$50 billion per annum and for 100 % debt cancellation.²¹³

Figure 4: ODA to sub-Saharan Africa (\$US million)

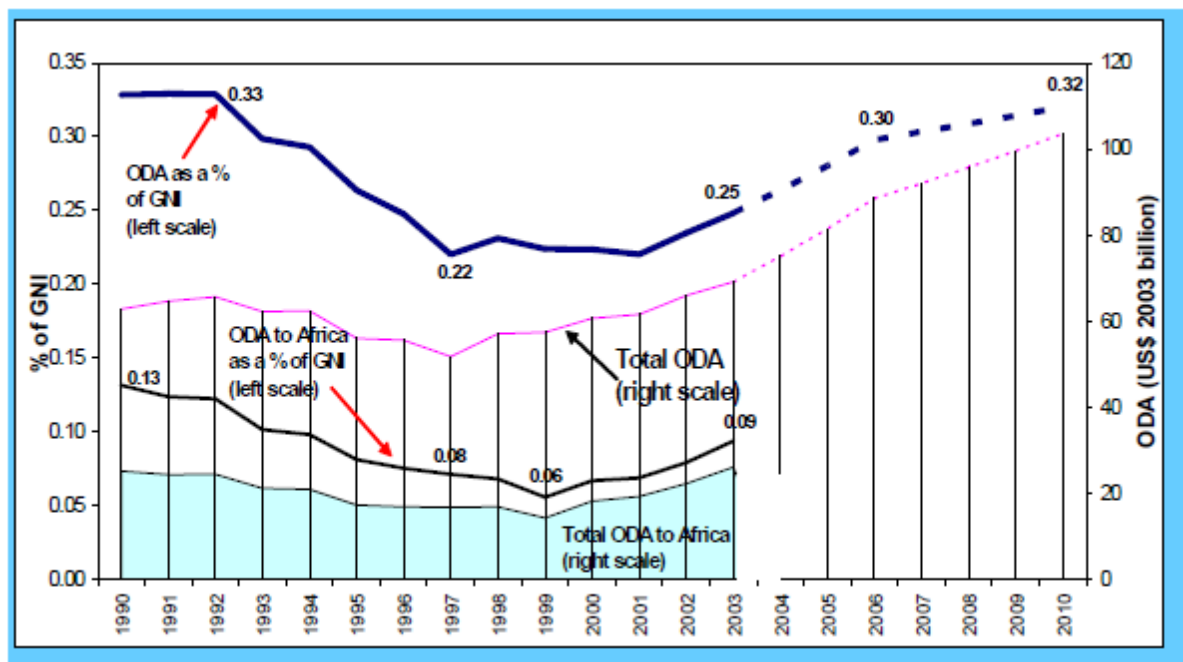
²¹² AfDB Op. Cit. 3

²¹³ Ibid. 12



Source World Bank 2006 and ERA 2007

Figure: 5 ODA Flow to Africa 1990-2008



Source: OECD/DAC statistics (2006), Draft Annex to chapter III of the ECA/OECD/DAC “Mutual Review of Development Effectiveness in Africa in the context of NEPAD”, Paris.

These calls have received increasing support from the IMF/World Bank which argues that a large number of African countries have improved their absorptive capacity to use aid effectively and aid should therefore be provided at least for the 30 or so African countries in need of additional external resource.²¹⁴ In the context of NEPAD, Figure 5 shows a promising feature in ODA development in Africa. It shows that ODA to Africa has substantially increased since 2001 and that the prospects for growth in the near future are high.

The main driver of the changing dynamics of Africa's ODA influx is getting the policy framework right at the local, regional and international levels. At a country level, African countries are moving towards liberal ideas of decentralization and privatization of public enterprises particularly in the infrastructural sector; priority is given to good governance and macroeconomic stability.²¹⁵ Africa raised approximately \$7.95 billion in terms of the number of new private enterprises and privatization activities accounted for by almost 50% of the total gain in Southern Africa alone. The number of state owned enterprises also declined from 6069 to 4058 from 1990 to 1995.²¹⁶

In this regard, one can argue that the two way traffic of partnership with the developed countries and commitment to market-led policies by many African countries has led to a considerable improvement in capital flows in the region particularly after the adoption of the NEPAD initiative.

5. The Market Access Initiative (MAI)

The MAI is an integral aspect of the NEPAD programme. The integration of Africa into the global economy undergoes challenges related to supply constraints. But as market access become more and more important in the development discourse of Africa, NEPAD also envisages improving the export performance of African countries through

²¹⁴ *Ibid.* 12

²¹⁵ *Ibid.* 5

²¹⁶ *Ibid.* 6

investment in infrastructure, policy framework such as the launch of the CAADP and the promotion of regional economic integration and PPP.

The WTO defines market access as border measures like tariffs, tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers.²¹⁷ The goals of the NEPAD MAI are numerous and include improving African terms of trade, enhancing food security, improving productivity, and improving market standards.

In broad terms, the NEPAD MAI “includes diversification of production, improving agro-productivity with emphasis on small scale and women farmers, enhance profitability of the mining, manufacturing, tourism and services sectors; promoting the private sector, promoting African exports and removing non-tariff barriers to international trade.”²¹⁸

Achieving several of these goals is a crucial challenge for both NEPAD and its development partners. The MAI requires actions to improve physical infrastructure, to provide a conducive and safe trade environment, building human capital capacity, good legislation, and state capacity for attracting investment.²¹⁹ To assess success in the NEPAD MAI this section focuses on agriculture. The rationale behind the selection of this sector is that agriculture is a sensitive issue in international trade negotiations and that Africa has a comparable advantage in this sector.

5.1 The importance of Agriculture for African economies

With the exception of few countries (e.g. South Africa), Africa remains a net food importing region. However, exports of agricultural products represent an important source of foreign exchange earnings for several African countries. The share of agricultural products in total merchandise exports ranges from a high of more than 80 %

²¹⁷ NEPAD: NEPAD Workshop on Market Access, Kopanong Conference Centre, Benoni, South Africa, 25-27 November 2002, p. 2.

<http://www.nepad.org/2005/files/documents/62.pdf>.

²¹⁸ Aderemi Op. Cit. 18

²¹⁹ Ibid. 19

for Sudan and Burundi to a low of less than 1 % for Gabon and Equatorial Guinea.²²⁰ Agriculture in Africa also accounts for employing 60% of the labour force, 20% of all merchandise exported, and 17% of GDP.²²¹

Paragraph 134 of the NEPAD document states that: “improvement in agricultural performance is a prerequisite of economic development on the continent. The resulting increase in rural people’s purchasing power will also lead to higher effective demand for African industrial goods. The induced dynamics would constitute a significant source of economic growth”. Therefore, given the fact that agriculture is the dominant sector for a majority of African countries, the sector should therefore generate much of the resources needed for economic growth and for filling up the resource gap of the region.²²²

Achieving this objective means addressing the different obstacles that prevent Africa from accessing the markets of major economies. For some, the main problem is based on the failure to conclude multilateral and bilateral trade negotiations such as the Doha Round of the WTO which was expected to lead to the development of Africa.²²³ Recall, the lack of inflexibility and political will from major players such as the EU, the U.S.A, India and Brazil were among the factors that led to the collapse of the Doha talks.

The collapse of Doha translated to inherent reluctance from the part of the developed world to free their market economy. Africa suffers a long tradition of restricted access to markets in the developed world which weakens the ability of African states to export agriculture products. International trade in agriculture products is low for African

²²⁰ *Ibid.*, 19

²²¹ Fakir, S.: Draft Paper: Ensuring a pro-poor focus in agriculture and rural development through NEPAD, UNCN (World Conservation Union) - SA, SARPN, August 2003, p. 10.
http://www.sarpn.org.za/documents/d0000491/NEPAD_Fakir_082003.pdf

²²² Deng, L.A.: A reflection paper on the sectoral priorities of NEPAD, Paper presented at the African Forum for Envisioning Africa held in Nairobi, Kenya, 26-29 April 2002, p. 14.
<http://www.worldsummit2002.org/texts/LualADeng2.pdf>

²²³ African Union Commission: The Impact of the Current Global Financial and Economic Crisis on African Economies and Africa’s Commission Position on Reforms of the International Financial System, paper presented at the 12th Meeting of the Africa Partnership Forum (APF), OECD, Rome, Italy, Wednesday, 10th June 2009, p. 10.
<http://www.oecd.org/dataoecd/32/44/42949241.pdf>

indigenous farmers.²²⁴ Also, subsidies from developed countries undermine any markets access initiative from the developing world including Africa. Overall, the total subsidies that Western nations pay their farmers reaches \$US350 billion per year (about \$US billion a day).²²⁵ In the U.S.A, the EU, France and Japan total subsidies constitute 31% of overall agricultural receipts.

However, it should be remembered that many African countries already enjoy virtually duty-free access to markets in OECD countries through non-reciprocal preferential treatments. In addition to the Lome Trade Preferences for African Caribbean and Pacific group of States (ACP) (which continued until December 2007 under the auspices of the Cotonou Agreement), African countries benefit from a variety of Generalized System of Preferences (GSP) schemes such as the EU's EBA and the U.S's AGOA. These schemes imply that African countries must address non-tariff barriers (e.g. standards, sanitary and phytosanitary measures and rules of origins regulations) to access the market of their development partners.

NEPAD's critics argue that the programme seems to be naïve in expecting billions of dollars from its market access initiative due to protectionist policies like the above mentioned in the industrialized countries and unfair international trading and financial system.²²⁶ However, non-tariff barriers are not the biggest challenge in achieving the MAI of NEPAD. In reality, GSP schemes have been under-utilized, mainly due to supply constraints in African countries. For instance, Africa lacks the capacity to produce and diversify its industrial goods, the means to comply with international standards necessary to benefit from bilateral trade agreements, and struggles for equitable integration into the multilateral trading regime.²²⁷

²²⁴ Deng, L.A *Op. Cit.* 16

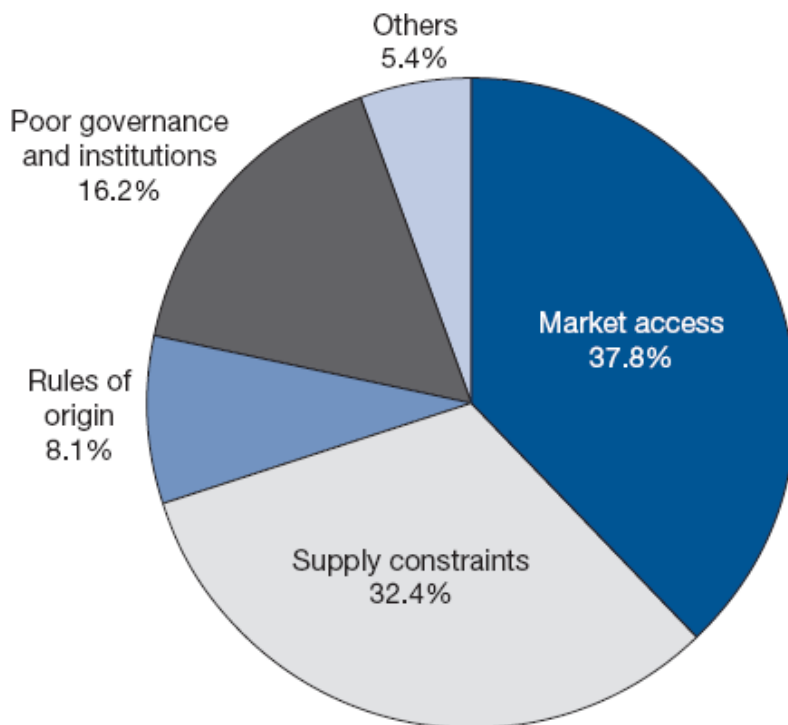
²²⁵ Dahl, J. and Shilimela, R *Op. Cit.* 23

²²⁶ Moyo, T *Op. Cit.* 34

²²⁷ United Nations Industrial Development Organization (UNIDO): *Trade Capacity Building: Background Paper No1: Supply side constraints on the trade performance of African countries*, UN, Vienna, 2007, p. 4. http://www.unido.org/fileadmin/media/documents/pdf/tcb_supply_side_constraints.pdf

Other supply related challenges include “difficulties in importing essential materials at world prices to expand exports, enhancing the ability of domestic firms to meet price and quantity requirements of global supply chains, building legal and physical infrastructures conducive to international business development” as well as “limited access to finance by local firms, notably small-and medium sized enterprises (SMEs).”²²⁸ These are the key financial and technical assistance issues that NEPAD and its development partners must deal with to help African countries tackle their supply-side constraints and therefore achieve the MAI of NEPAD.²²⁹ In this regard, African countries failed to benefit from GSP schemes not only because of tariff or non-tariff barriers but also because of supply capacity with which to access the markets of their development partners.²³⁰ (figure 6).

Figure 6: Barriers to export promotion and development



Source: ECA Survey of African `Policymakers on the Monterrey Consensus and ERA (08).

²²⁸ Dayton-Johnson, J. and Fukasaku, K.: Making the Most Aid: Challenges for Africa’s Agribusiness. OECD, Policy Brief, No. 36, p. 9.
<http://www.oecd.org/dataoecd/21/63/41280802.pdf>

²²⁹ Loc cit

²³⁰ UNIDO Op. Cit. iv

Figure 6 shows that supply constraints constitute 32.4% of the overall barriers to export promotion and development in Africa. This is relatively an equal challenge for African food producers as market access which constitutes 37.8%. Therefore, addressing supply constraints in the agricultural sector is a crucial task for NEPAD.

5.2 NEPAD's vision in Agricultural Development in Africa

NEPAD's position on agriculture is formulated in the context that agriculture in Africa suffers from low productivity resulting from persistent risks and vulnerability.²³¹ Factors such as climate change and decrease in commodity prices have reduced agricultural fortunes over time. NEPAD recognizes the role of agriculture in rural development, food security and in creating a safety net mechanism for rural households.

To complement high production in agriculture, NEPAD envisages expanding agricultural processing through its MAI to “encourage a strategy of diversification at the high end of the market, so that Africa does not become dependent only on its raw materials, but is also able to support growth through value added activities.”²³² In this regard, NEPAD seeks to increase the capacity of rural farmers to participate in the export market through the production of high value added goods. It identifies incentives like access to water, land tenure and land reform, access to credit and financing schemes, investment in rural areas, and market access through trade liberalization, and greater private sector investment in manufacturing as necessary to stimulate agricultural growth.

NEPAD identifies agriculture as a lead sector for growth and development and for ensuring long-term food security for Africa. Its key agricultural initiatives include “the 2003 CAADP Framework calling for 6% agricultural growth rate; the 2003 Maputo Declaration calling for 10 % of public expenditure to be spent on agriculture and rural development within 5 years; the 2004 Sitre Declaration on ‘The Challenges of Implementing Integrated and Sustainable Development on Agriculture and Water in

²³¹ Fakir, S *Op. Cit.*,10

²³² *Ibid.*, 11

Africa’; and the 2006 Abuja Declarations on Fertilizers (June) and Food Security (December).”²³³

NEPAD’s agricultural plan includes issues related to land and water, management, food security and supply improvement, rural infrastructure and market access. Under market, access the plan aims to reverse Africa’s declining share of the world exports which dropped from about 8% in the 1971-80 to 3.4% in the 1991-2000 period.²³⁴ Other goals of the MAI include investment in human resources; and help African countries to meet international standards for export products in line with the WTO SPS standards.²³⁵

As far as the CAADP is concerned, NEPAD’s vision is to address the problem of poverty and hunger in Africa. The CAADP is also a growth oriented agriculture framework “aimed at increasing agriculture growth rate to six % per year to create the wealth needed for rural communities and households in Africa to prosper.”²³⁶ It is perhaps the most important tool developed by NEPAD to address agricultural related projects including market access. It is a “strategic framework to guide country development efforts and partnerships to reach a higher path of economic growth through agriculture-led development.”²³⁷ As the main vehicle for driving NEPAD’s vision for agriculture, the CAADP is the platform around which regional economic agencies, partners and national government will convene.²³⁸ It is both the main arm of NEPAD on matter related to agriculture and a way of structuring present and future regional and national

²³³ OECD Op. Cit. 101

²³⁴ Moyo, S.: Africa’s Agrarian Transformation: The Efficacy of the NEPAD Agriculture Strategy, 2002, p. 8. <http://www.codesria.org/Links/conferences/Nepad/Sam%20Moyo.pdf>

²³⁵ Loc cit

²³⁶ Africa Policy Department: Pan-African Agenda on Agriculture: NEPAD/IFPRI Proposal on the AU/NEPAD Comprehensive Africa Agricultural Development Programme (CAADP), UK Department for International Development, July 2006, p. 6.

http://www.donorplatform.org/component/option,com_docman/task,doc_view/gid,441/
²³⁷ ActionAid: Five out of ten: Assessing progress towards the AU’s 10% budget target for agriculture, June 2009, p. 2.
<http://www.actionaid.org/docs/five%20out%20of%20ten-%20assessing%20progress%20towards%20the%20au's%2010%20per%20cent%20budget%20target%20for%20agriculture.pdf>

²³⁸ Fakir, S Op. Cit. 14

partnerships.²³⁹ The CAADP thus provides some policy directions to African countries concerning fixing up the agricultural sector.

The CAADP has identified a number of programs which include: extending the area under sustainable land management and reliable water control systems; improving rural infrastructure and trade related capacities for market access; increasing food supply to reduce hunger, and improve responses to food emergency crises; and improving agriculture research, technology dissemination and adoption. To achieve these objectives, African leaders recognize that addressing issues related to governance, policy, and private sector investment are key elements “in improving the effectiveness of development assistance focused on hunger and poverty.”²⁴⁰

Table 4: Percentage of national budget spent on agriculture, 2004-07

10% or more ⁱ	5-10% ⁱⁱ	Less than 5% ⁱⁱⁱ
Ethiopia	Benin	Botswana
Madagascar	Chad	Burundi
Malawi	Mauritania	Cameroon
Mali	Nigeria	Central African Republic
Niger	Sao Tome & Principe	Congo
Senegal	Swaziland	DR Congo
Zimbabwe	Uganda	Cote D'Ivoire
	Zambia	Djibouti
		Guinea-Bissau
		Kenya
		Lesotho
		Liberia
		Mauritius
		Namibia
		Rwanda
		Seychelles
		Sierra Leone
		Togo

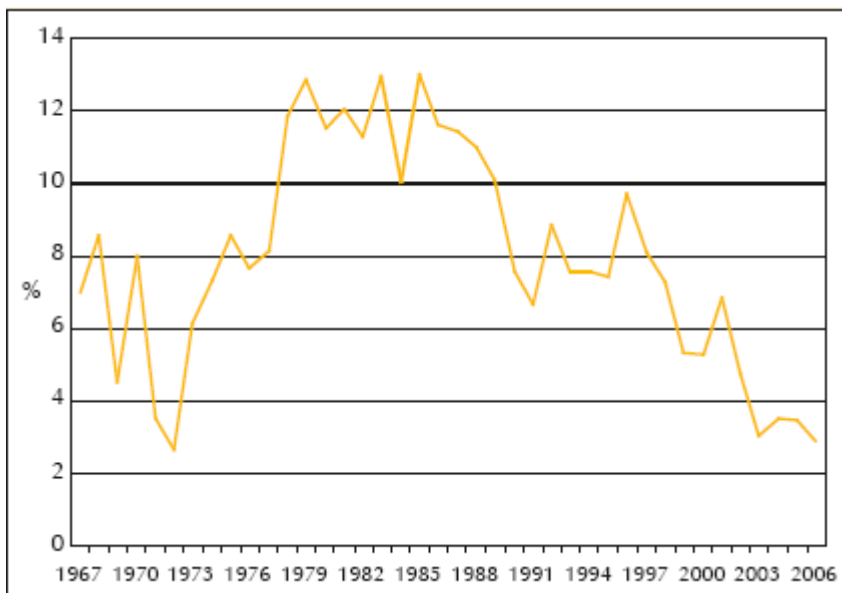
Source: NEPAD Secretariat, Agriculture Unit, ‘National compliance with 2003 African Union Maputo Declaration to allocate at least 10% of national budget to agriculture development: 2007 draft survey report’, October 2008

²³⁹ Loc cit

²⁴⁰ OECD: 10th Africa Partnership Forum (APF), Tokyo, Japan: 7 – 8 April 2008 AU/NEPAD AFRICAN ACTION PLAN (Updated Final Draft Version, 28 March 2008), p. 10.
<http://www.oecd.org/dataoecd/28/10/41084201.pdf>

In assessing progress towards the CAADP, ActionAid reported that African countries have made limited progress towards meeting the CAADP commitments due to lack of sufficient political will among their governments. For instance, only seven out of Africa's 53 countries have reached their commitments to spend 10 percent of their national budget on agriculture by 2008 (Table 4); only eleven countries have met CAADP's target of 6 % annual agricultural growth; and only one country (Rwanda) has harmonized its national policy with those of CAADP agricultural framework.²⁴¹ This tendency is perpetuated by their bias towards urban elites and other key interest groups and therefore letting small-scale farmers becoming more invisible to African decision-makers.²⁴²

Figure 7: DAC ODA to agriculture, fisheries and forest as proportion of total DAC ODA, 1967-2006



Source: OECD, 2008. and UNCTAD (EDA08)

OECD (2008b) OECD Online Statistical Database [accessed 21 July 2008].

The report also found that donors have not done enough to meet their part of the CAADP commitments. Specifically, the CAADP envisaged half of the US\$251 billion total investment envisaged to come from ODA or private investment, amounting to US\$8.9 billion a year. This commitment has not been met. While aid for African agriculture has

²⁴¹ ActionAid Op. Cit. 2

²⁴² Loc cit

doubled from US\$1.05 billion in 2002 to US\$2.15 billion in 2007, “this is still four times less than what donors promised to deliver through CAADP.”²⁴³

A reduction in donor support for agriculture has meant that Africa is left with limited resources available to address the agricultural sector. According to UNCTAD, “the overall donor support for agriculture has declined steadily from a peak of \$8 billion in the early 1980s to \$3.4 billion in 2004.”²⁴⁴ This includes a reduction of total ODA for agriculture from 16.9 % in 1982 to just 3.5 % in 2004; a reduction of ODA from DAC countries from 13 % to 3 % in the same period (see also Figure 7).²⁴⁵

Nonetheless, NEPAD continues to become a bridge builder between Africa and its development partners particularly on issue related to agriculture. In the context of partnership in agricultural matters, NEPAD has established a consultation process between the G8 members and Africa through the G8 AAP on top of its CAADP plan. The G8 AAP contains the G-8 position and interpretation of NEPAD and is one of the few partnership agreements between NEPAD and its development partners evolving matters related to agriculture.²⁴⁶

NEPAD also partners with the United Nations Industrial Development Organization (UNIDO)’s Trade Capacity Building in its MAI capacity building needs. This approach has also been recognized by the UN General Assembly, and is reflected in major donor initiatives for trade/export development including the Norwegian Agency for Development Cooperation (NORAD) and the Swedish International Development Cooperation Agency (SIDA) strategy for export development in Africa). The approach also forms the foundation for cooperation between the UNIDO and the WTO for trade-related technical assistance.²⁴⁷

²⁴³ *Ibid.* 3

²⁴⁴ UNCTAD *Op. Cit.* 2008, 42

²⁴⁵ *Loc cit*

²⁴⁶ Fakir, S *Op. Cit.* 12

²⁴⁷ UNIDO *Op. Cit.* v

NEPAD has further developed an implementation strategy to be implemented at national, regional and international levels which if put in place by African countries it could improve the export performance of agriculture in the region. The strategy is based on a three pronged strategy namely: capitalization on natural resources management, strengthening economic and trade reforms and, focus on rural development and poverty.²⁴⁸

Table 5: NEPAD agricultural strategy implementation steps and actions

National Level	Regional Level	International Level
- Increasing capacity to support farmers by the public sector by reviewing national research and extension systems - Establishment of Public and Private sector Partnerships (PPPs) for increased investment. - Increase efficiency and use of water supply for agriculture - Improve security of land tenure for traditional and modern farming and, - Enhance agricultural credit and finance schemes especially for smallholders.	- Reviewing existing structures and programmes of regional and sub regional institutions is top of the agenda. - Establishment of crop/livestock specific research programmes or institutions, - Put in place strategies for food emergencies, - Promote intra and inter regional trade by adopting international sanitary and phytosanitary standards and elimination of tariffs on cross border trade and - Harmonization of agricultural policies in the region.	- Develop renewed partnerships with donors, multilateral institutions and creditor governments, - Improving standards of African produce and access of agricultural products to international markets, - Networking with external partners in areas of agriculture technological know how, extension services and rural infrastructure, - Investment in research in high yield crops, durable preservation and storage methods and - Multilateral trade negotiation including sanitation and other agricultural trade regulations.

Source: NEPAD (2001)

The strategy further articulates issues which are necessary for the success of the NEPAD Agricultural Strategy. Among these issues are: getting agricultural and other economic policies right through policy reform and harmonization, access to and investment in land and water resources, facilitating investment, resource mobilization and capitalization on existing initiatives that have endorsed NEPAD (see also above 5 for more details).²⁴⁹

In fact, NEPAD's partners acknowledge the limited capacity of Africa with regards to agriculture and are seeking to take action. The critical next steps are to increase funding for the agricultural sector and more donor alignment around the CAADP agenda.²⁵⁰

²⁴⁸ Moyo, S Op. Cit. 9

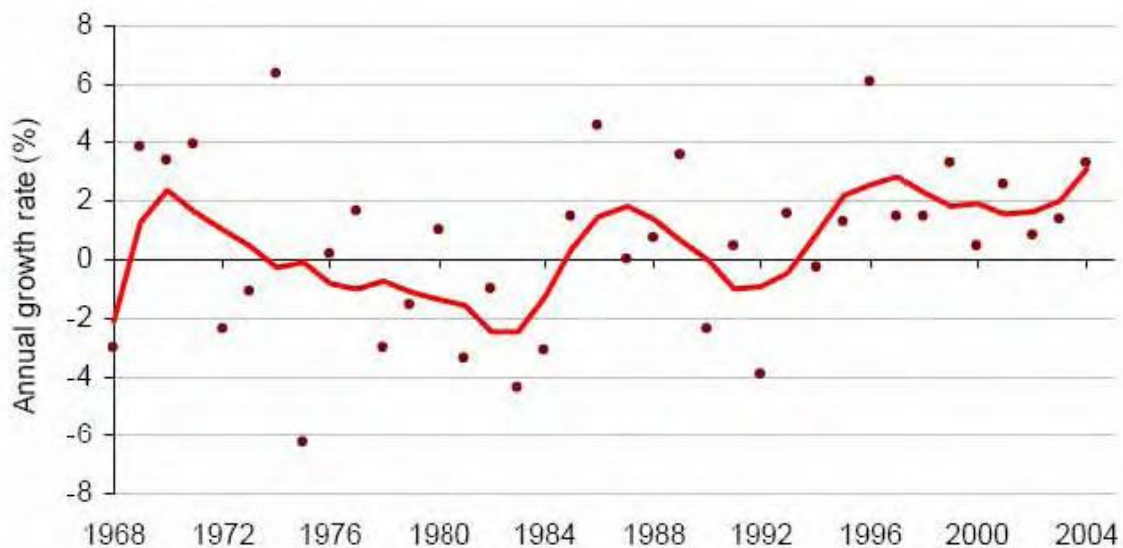
²⁴⁹ Loc cit

²⁵⁰ OECD Op. Cit. 107

This aspect suggests a challenge to the hypothesis that NEPAD has been a beneficial initiative. However, what it reinforces is the complexity in assessing the outcome of this agreement and the efforts to overcome major obstacles to development. If anything, the attempt to address this aspect of North-South trade relations is a positive one in itself and the continued dialogue means that parties are actively trying to find solutions.

5.3 Trends in Agriculture

Figure 8: Whilst the annual growth rate of agriculture in Africa is increasing.....

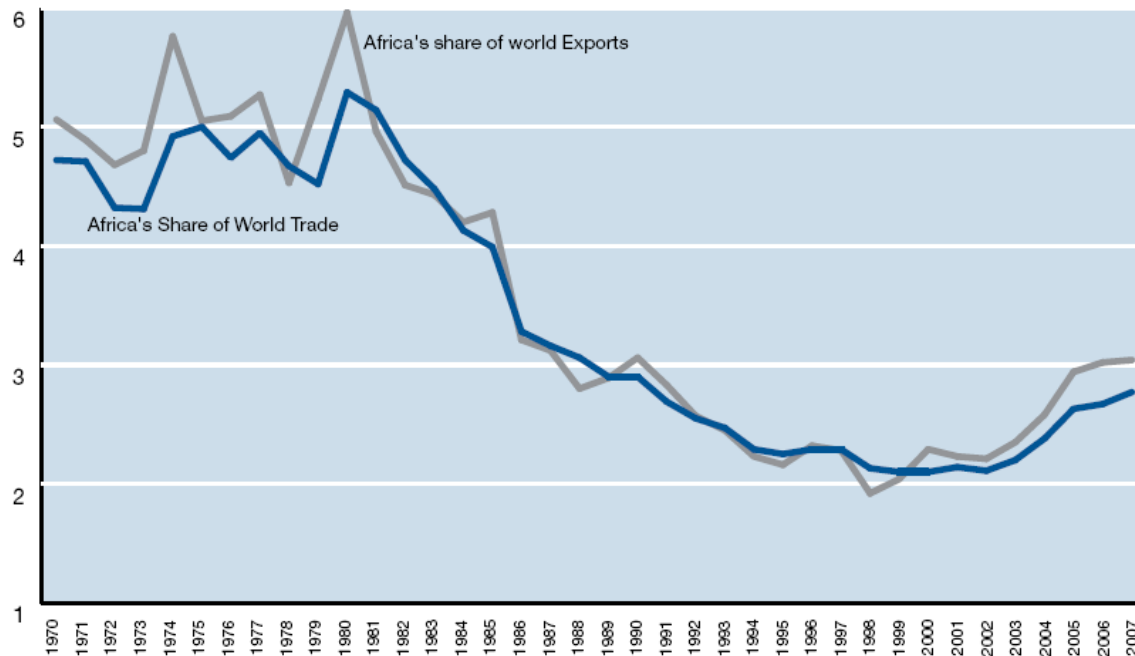


Source: World Bank (2007) and APF

The above figure shows that overall; there has been a remarkable growth in the agricultural sector in Africa which doubled from 2.7% in 2002 to 5.3% in 2004, due to both high prices and outputs. Africa has also improved its position in world agricultural markets. Africa's share in commodity products has sharply increased from 0.8% to 5.4 % during the same period. But just like in the capital flow sector, despite this improvement, the region's share of global trade still remains lower comparing to other regions. As explained earlier, while market access is an important issue, supply-side constraints

associated with factors such as weak infrastructure are equally important factors to blame for poor performance in regional share of agriculture for Africa.²⁵¹

Figure 9: Africa's share in world trade (%)



Source: **Source:** WTO (2008a).and UCTAD (ERA09)

Over the last few years, Africa has registered some positive progress in terms of its trade performance (figure 9). The region accounted for over US\$782 billion; accounting for 2.7 % of world trade while 30 African countries exceeded the world average of 9.26 % in terms of the trade growth rate.²⁵² Equatorial Guinea registered the highest average growth rate (36 %), followed by Chad (29 %), the Sudan and Angola (22 %), and Mozambique (18 %). In contrast, Eritrea and Zimbabwe registered negative growth rates (-0.85 %) and (-0.24 %), respectively.

Furthermore, following further improvement in macroeconomic conditions and trade liberalization, agricultural growth in Africa slightly increased from a margin 2.3 % per annum in the 1980s to 3.8 % between 2001 and 2005.²⁵³ Africa's nominal value of its

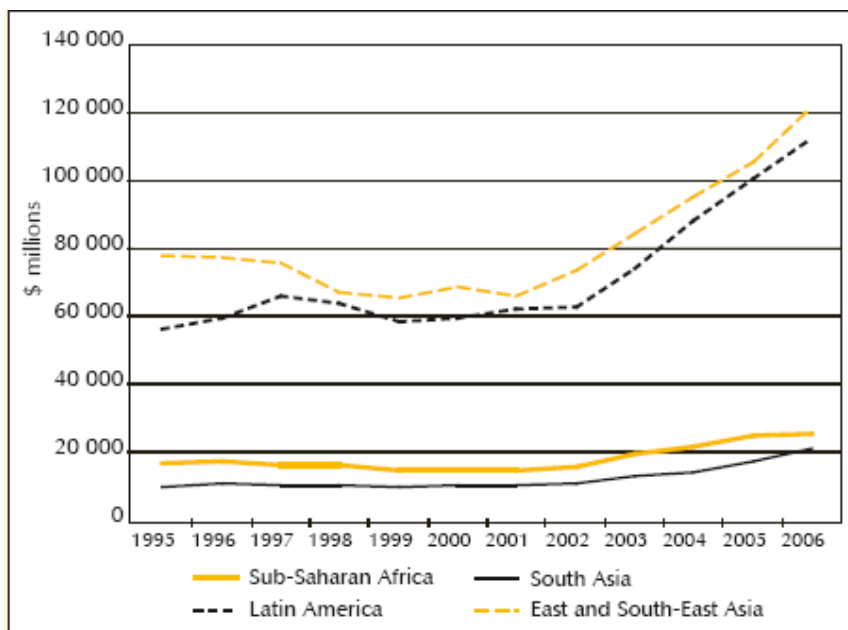
²⁵¹ Ibid. 102

²⁵² UNCTAD Op. Cit. 78

²⁵³ UNCTAD Op. Cit. 29

agricultural export value also increased to US\$25.3 billion in 2006 from about US\$16.6 billion to 14.7 billion between 1995 and 2000.²⁵⁴ But again, the region performed modestly in this sector when comparing to other regions (see Figure10). The factors that have caused this modest performance are twofold: (1) the concentration of agricultural export in a small number of countries (e.g. South Africa, Cote d'Ivoire and Ghana); and (2) the increasing dependence on the export of traditional non-fuel primary commodity such as coffee, cotton, cocoa, tobacco, tea and sugar²⁵⁵ most of which suffering from a deteriorating trade volume and market value. Africa should therefore diversify the agriculture sector and improve export capacity in poor export performing economies.

Figure 10: Agricultural export by value, sub-Saharan Africa and other developing regions



Source: UNCTAD, 2008

Also, despite success in trade growth rate (see figure 9) the region registered a negligible 3 % of world total exports in 2007 (see figure 10). According to a WTO statistics, merchandize exports in Africa “increased by 15.6 % between 2006 and 2007 compared to

²⁵⁴ Ibid. 30

²⁵⁵ Loc cit

an average growth rate of 20 % in the previous four years.”²⁵⁶ Most of these exports went to major African partners such as North America and the EU with a cumulative share of exports of over 61 % in 2007.²⁵⁷

Another key factor affecting the export of agricultural products in Africa is the failure to diversify the sector. In Africa, “exports remain highly undiversified with crude oil and minerals accounting for 70 % and agriculture and manufacturing about 30 % (table 6).”²⁵⁸ In contrast, “Africa’s share in world imports was about 2.5 % in 2007 and imports grew by 24 % in the same year. Imports were mainly concentrated in manufactured goods (68 % of total merchandises imports), followed by fuels and mining products (15.4 %) and agricultural products (4 %).”²⁵⁹

Table 6: Africa’s total exports by product and trading area in 2007 (\$US billions)

	World	North America	South & Central America	Europe	CIS	Africa	Middle East	Asia
Agricultural products	34.33	1.61	0.21	16.47	0.63	6.93	1.67	5.67
Fuels and mining products	295.80	82.17	13.20	107.80	0.07	14.33	1.78	63.24
Manufactures	79.76	7.81	1.21	39.21	0.24	17.18	3.33	9.58
Total merchandise exports	424.14	91.87	14.62	167.55	0.94	40.47	10.53	80.88

Source: WTO (2008): International Trade Statistics. Geneva. And UNCTAD (ERA09)

It is evident from the discussion above that there has been some slight improvement in the export sector of agricultural product of Africa. However, the region continues to remain by and large a very small player in this market due to the overwhelming concentration of Agricultural exports of Africa in the traditional bulk commodities form,

²⁵⁶ Economic Commission for Africa Op. Cit. 78

²⁵⁷ Ibid. 79

²⁵⁸ Loc cit

²⁵⁹ Loc cit

“which have also become concentrated in a small number of countries.”²⁶⁰ The big challenge ahead is to address the infrastructural gap of African economies.

5.4 Action by NEPAD to improve market access in agriculture: bridging the infrastructural gap

The founding document of NEPAD identifies infrastructure amongst its key sectoral priorities. NEPAD shares Africa’s concerns over the importance of infrastructure to economic growth and development. In Southern Africa for instance, infrastructure bottlenecks constitute a major challenge to intra-regional trade and investment. “SADC member states are land-locked, making infrastructure an important consideration in the location decisions of firms.”²⁶¹ Hence, South Africa which absorbs 60% of the total road network of the block tends to receive the largest share of FDI in the regional block.²⁶² This matter marked the highlights of NEPAD’s meeting with its development partners such as the 2005 G8 Summit at the Gleneagles in terms of which the G8 undertook to support infrastructural issues such as “the rapid increase in electricity generation and interconnection.”²⁶³

The lack of infrastructural development in Africa constitutes a serious handicap to African production capacity and competitiveness in the global market. NEPAD has identified poor infrastructure as one of the main hindrances to economic growth and development for Africa. It is based on the promise that there can be no development without trade and there can be no trade without infrastructure which is defined in the context of transport, energy water, and information and communication technology (ICT). To support regional infrastructure, NEPAD’s main roles are (1) to promote, facilitate and monitor the development of regional infrastructure activities; (2) to help putting in place the required structures, institutional capacity and funding to meet

²⁶⁰ UNCTAD Op. Cit. 2008, p. 34-35

²⁶¹ Mlambo, K Op. Cit. 569

²⁶² Loc. cit

²⁶³ OECD Op. Cit. 69

Africa's Millennium Goals, and (3) to harmonize the activities of the RECs.²⁶⁴ Therefore, bridging the infrastructural gap will not only help ameliorate the export deficit of Africa but will also strengthen the functioning of the RECs which NEPAD views as the “building blocks” for African economic integration.

NEPAD adopts a unique approach to infrastructure development in Africa which complements ongoing national and regional projects with future ones. NEPAD strengthens existing regional and national infrastructure projects also known as Short-Term Action Plan (STAP) with projects that require more time for preparation and development, also classified as Medium-and Long-Term Action Programme.²⁶⁵ Its infrastructural project includes increased investment both in maintenance and in new infrastructure, new regulatory framework, and the promotion of PPP. These two investment frameworks are also supported by the AfDB. The Bank also manages a multi-million dollars NEPAD Infrastructure Project Preparation Facility (NEPAD-IPPF).²⁶⁶

NEPAD's engagement with the rest of the world in terms of matters related to agriculture prompts the promotion of physical integration. However, inadequate infrastructure and services still constitutes a disincentive for investors, as well as an impediment to economic growth, and human and social development.²⁶⁷ At a regional level, NEPAD plays an important role in improving the infrastructural gap of the region. It harmonizes and coordinates the activities of the RECs through infrastructure development programme (e.g. STAP complemented by a Medium to Long Term- Strategic Framework (MLTSF) to foster growth through regional economic integration in Africa.²⁶⁸

Launched in 2002, the STAP reflects NEPAD's response to the infrastructure challenges facing the continent. The main objectives of the STAP are “(1) to facilitate the establishment of the policy, regulation and institutional framework, create suitable

²⁶⁴ AfDB, NEPAD: Main Report [Draft] Short-Term Action Plan Infrastructure, 2002, p. 1.
<http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/00473842-EN-PAPER-NEPAD-INFRASTRUCTURE-SHORT-TERM-ACTION-PLAN-MAIN-REPORT.PDF>

²⁶⁵ *Loc cit.* 3

²⁶⁶ UNCTAD *Op. Cit.* WIR (2008), p. 44

²⁶⁷ OECD *Op. Cit.* 2007, p. 8

²⁶⁸ AfDB *Op. Cit.* 2002, p. 11-12

environment for investment and efficient operations; (2) capacity building initiatives to empower the implementing institutions (the RECs) to perform their mandates; (3) investment in physical and capital projects; and (3) studies to prepare future projects.”²⁶⁹ NEPAD’s role in this regard is to mobilize political will and actions to implement policies and institutional reforms; to facilitate the mobilizing of resources for regional projects; and to facilitate knowledge-sharing, networking and dissemination of best practices among countries, RECs and technical agencies.²⁷⁰

The STAP laid down the foundation of the Canada’s Fund for Africa’s (CFA) support for the establishment of the NEPAD-IPPF which is also administered by the AfDB. The NEPAD-IPPF was subsequently approved by the AfDB in November 2003 and became effective in 2004 and as requested by the government of Canada in line with NEPAD HSGIC, the IPPF was converted by the Bank into a multi-donor fund in 2005.²⁷¹

The purpose of the NEPAD-IPPF is to assist African countries, RECs and related infrastructure development institutions to prepare high quality, viable/regional continental infrastructure projects that would be ready to solicit financing from public and private sources in support of the objectives of NEPAD. The Fund is also designated to support the creation of an enabling environment for private participation in infrastructure, as well as to support targeted capacity building initiatives to enhance the sustainability of existing and planned infrastructure developed in the continent, in fulfilment of the NEPAD objectives.²⁷²

Co-operation has improved both at the national level and cross-border level. Many African countries have prepared strategic mechanisms for road transport, “but progress in water resources management has been much weaker, and the energy has yet to receive a similar focus.” “Significant progress has been made in promoting regional arrangements

²⁶⁹ NEPAD: NEPAD Infrastructure Short-Term Action Plan: Review of Implementation Process and the way Forward, 2003, p. 7.

http://www.nepadst.org/doclibrary/pdfs/doc12_032004.pdf

²⁷⁰ Loc. cit

²⁷¹ AfDB: NEPAD-Infrastructure Project Preparation Facility Fund (NEPAD-IPPF Special Fund) Operational Guidelines, October 2006, p. 2

<http://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/10000011-EN-NEPAD-IPPF-OPERATIONAL-GUIDELINES.PDF>

²⁷² Loc cit

and institutions, and a framework for co-ordination between the AU, NEPAD, RECs and the AfDB has been agreed.”²⁷³

In sum, NEPAD has achieved to make a positive impact on the infrastructural gap that exists in Africa. Infrastructural projects and activities have improved in Africa after NEPA. They have created the ground work for sustainable economic growth and development. This challenges the rhetoric of dependency theory scholars that NEPAD will not benefit the region.

6. Conclusion

Finally, it can be said that NEPAD’s attempt to mobilize resources for development in Africa is work in progress. Indeed, there has been a significant improvement in terms of the level of FDI and ODA flows into Africa since the creation of NEPAD. However, Africa’s share of net capital flows still remains lower comparing to other regions. This poses a bit of challenge to the hypothesis of the study.

The role played by NEPAD in improving the investment climate in Africa includes the creation of PPP such as the African Investment Initiative, and the promotion of partnerships with its development partners to change the perception of Africa as a high risk zone in FDI and to ensure commitments with ODA pledges.

The chapter has also found that adherence to market-led policies by many African countries has been a key contributing factor to the improvement of the NEPAD’s vision of resource mobilization. Nevertheless, there has been a mix results in terms of the CFI. African countries have done relatively well in terms of improving FDI level since NEPAD was formed as opposed to ODA. This is due to the fact that much of the resources allocated by Western donors to African development in the form of ODA have gone to debt cancellation instead of more tangible targets such as budget support.

²⁷³ OECD *Op. Cit.* 2007, p. 11

Increasing ODA for debt relief appears not to be pro-poor. NEPAD needs to strike a balance between ODA for debt relief and other goals like budget support. Otherwise, ODA to Africa will increase dependency with the developed world instead of partnership for development. The results will put NEPAD's aims into jeopardy.

In terms of the MAI, supply constraints (e.g. poor infrastructure) which are domestic issues (not tariff related) continue to weaken Africa's ability to trade with its development partners. Thus, African countries are yet to benefit from greater access to the agricultural market of the developed world as a result of NEPAD. This poses a severe challenge to the hypothesis of the study.

However, NEPAD is doing a considerable progress to address this issue. NEPAD has established a special programme (the CAADP) to fight hunger and poverty and to promote the processing of agricultural products in Africa. But considering that most governments have fallen short of the CAADP target, a longer timeline for meeting it should be implemented. Special programmes (e.g. such as the STAP and the MLTSF) and fund (e.g. NEPAD-IPPF) have also been established by NEPAD to address the infrastructural gap of Africa which weaken the MAI of NEPAD further.

Chapter 4: Assessing the concepts of “mutual accountability” and “mutual responsibility”: a case study on Ghana

1. Introduction

The previous chapter has assessed whether NEPAD as a partnership programme has been successful in mobilizing financial resources from its developed partners to Africa. This chapter aims to analyse the concept of “mutual accountability” and “mutual responsibility” within the framework of NEPAD. In terms of these concepts, the general assumption is that NEPAD’s developed partners shall reward more resources for development to those countries that demonstrate strong commitments to good governance through peer review. Therefore, the chapter wants to find out if that “mutual accountability” and “mutual responsibility” between NEPAD’s developing member states and its developed partners has occurred over the last eight years. To measure success in this respect, the chapter will analyse the inter-linkage between good governance and external aid provision taking into account Ghana as a case study.

Ghana was the first African country to undergo peer review which is a stepping-stone towards good governance practices. This was the rationale behind the selection of Ghana as case study. So, by going through Ghana’s peer review process, the point of arrival is to test the country’s commitment to good governance against commitment on the part of NEPAD’s development partners to increased aid for development for the country.

As already explained in Chapter 2, good governance is a complex concept which involves a number of ingredients. In this chapter the focus will be on the relationship between Ghana’s commitments to two important criteria of good governance - (1) democracy and political good governance (e.g. the functioning of the legislature, judicial, and executive branches, as well as the non-governmental sector), and (2) economic governance and management (e.g. macroeconomic management, public financial management and accountability) - and ODA flows.

2. Ghana and the APRM

John Kufuor believes that he is a democrat, and APRM was a way to demonstrate his personal commitment to promoting good governance in the country. He had already embarked on a policy of transparency and accountability in his administration, and APR [African Peer Review] was a mechanism to further his approach...No doubt part of Kufuor's thinking in being first was to attract investment and aid. If Ghana was perceived to be open and transparent, it would be seen as a good place to do business. The G8 will use how a country does in peer review to influence its decisions, whether formally or informally.²⁷⁴

Ghana has a record of a pioneer in African politics. In 1957, it was the first sub-Saharan African country to gain independence. Ghana was also the first country to undergo peer review in 2005 before Kenya, Rwanda, Mauritius, and South Africa. What prompted Ghana to champion the peer review was to demonstrate its commitment to democracy and good governance in order to become more attractive for aid donors and investors. According to the Ghanaian President John Kufuor "participating in the APRM would potentially win Ghana prestige and benefits from international donors, who had shown great enthusiasm for NEPAD and APRM from its inception. Ghana remains a heavily aid-dependent state, with about 40 % of its budget being donor-funded."²⁷⁵

Ghana has been very enthusiastic with the APR since its inception. The country signed the Memorandum of Understanding for the APRM review on 9 March 2003 at the Sixth Summit of the HSGIC of NEPAD held in Abuja, Nigeria. Subsequently, the country created a new Ministry of Regional Cooperation and NEPAD in May 2003 and assigned the head of the Ministry as the APRM Focal Point in the review process.²⁷⁶ Furthermore, "a national APRM Governing Council of seven highly qualified and eminent personalities was also set up. And by so doing, Ghana took the appropriate steps to ensure that it would be in a position to conduct an independent self-assessment of its governance record."²⁷⁷ In other words, the objective of the Council was to meet the requirement for participating countries to have an independent self-assessment of its governance record in the four focus areas covered by the APRM.

²⁷⁴ Herbert, R. and S. Gruzd *Op. Cit.* 157 Citing Baffour Agyeman-Duah

²⁷⁵ Gruzd, S.: "An Independent view on Ghana's APRM Report", *Daily Graphic*, Saturday, June 17, 2006.

²⁷⁶ Adedeji, A *Op. Cit.* 257

²⁷⁷ *Lo cit.* 257

These focus areas are: Democracy and Political Governance (DPG); Economic Governance and Management (EGM); Corporate Governance (CG) and Socio-Economic Development (SED). Under DPG, the APRM seeks to create democracies that ensure respect for all basic rights of citizens, while under EGM, the aim is to ensure that countries formulate credible, realistic and achievable policies designed to reduce poverty and promote growth and sustainable development. In terms of SED, the APRM “aims at ensuring that Africans have what it takes to lead a dignified life such as adequate access to education, health, housing, good drinking water and good sanitation and fair distribution of nation’s wealth”, whereas in respect of CG, the mechanism “aims at engendering success in the private sector and ensuring that corporations do not pollute without regard to the value of life.”²⁷⁸

Each of these focus areas contains different objectives but in this study the focus is on two: (1) the enhancement constitutional democracy, including periodical political competition and opportunity for choice, the rule of law, citizen’s rights, as entrenched in all African and international human rights instruments under the GPD, and (2) the pursuit of transparency, effectiveness and predictability of government economic policies under the EGM. Like other countries that have been peer reviewed, the APRM process in Ghana was based on two consecutive reports: a country self-assessment report (CSAR) based on a questionnaire covering the four focus areas of the APRM and a Country Review Mission (CRM) conducted by the APR Panel.

The common consensus between the CSAR and the CRM on the Ghana review is that the country is well on track in pursuing the main objectives of the APRM. Ghana proved to be in compliance with many aspects of good governance agenda according to its peer review report. It has particularly proved efficient in monitoring democracy and sound economic management (box 2). However, the APR Panel discovered a number of challenges that need further actions in order for the country to meet the ultimate

²⁷⁸ Alhassan, A. H.: Report on workshop for media in the Northern Zone on APRM implementation and update on Ghana’s APRM programme of action, Ministry of Regional Cooperation and NNEPAD, Miklin Hotel, Kumasi, Ghana, 13th August, 2005, p. 5.
http://www.kas.de/wf/doc/kas_7785-544-2-30.pdf

objectives of NEPAD and the APRM. And the salient overarching gaps include: “(a) capacity constraints; (b) gender equity; (c) corruption; (d) decentralization; (e) land issues (f) chieftaincy, (g) unemployment and (f) external dependency.”²⁷⁹

Box 2: Ghana-awining combination of smooth democartic transition and sound economic management

When Ghanaian President John Kufour came to power in early 2001, his administration faced daunting challenges, including high unemployment, runaway inflation, dependence on aid, and hard-pressed public services.

Sound fiscal management, however, has achieved impressive results. Ghana's inflation rate dropped from 41% in January 2001 to 25% in August. In the first half of 2001 the cedi depreciated by 38% relative to the U.S. dollar, but in the second half of the year depreciation was just 2.5%. The primary fiscal balance recorded a surplus (1.9% of GDP) for the first time since 1997, a 2.6 trillion cedi (\$350 million) gap in foreign exchange requirements was closed by the end of 2001, and debt service was cut by 2.8 trillion cedi (\$375 million) under the HIPC initiative. And GDP growth—which had been expected to slow because of high inflation, severe imbalances in fiscal and external accounts, and the tight monetary policy announced in March 2001—actually improved, rising 3.5% in 2001 compared with 2.0% in 2000.

With low prices for cocoa and gold and high prices for oil in 2001, Ghana's considerable foreign exchange reserves shrank because vital imports had to be purchased. To improve matters, the government made the country attractive to new investors, luring them into new sectors capable of diversifying the export base. Pro-business legislation, privatization, and proximity to a substantial regional market—including Nigeria—will help attract investors.

Source: Ghana, Ministry of Finance²⁸⁰ and ERA (02)

In many African countries, the issues of chieftaincy and land remain sources of conflict and political instability. Chieftaincy in Ghana is particularly responsible for several types of communal conflicts related to ethnicity, succession to traditional political office and the struggle over land which is in the hand of traditional leaders.²⁸¹ So, the fact that the

²⁷⁹ NEPAD: African Peer Review Mechanism: Country Review Report of the Republic of Ghana, Midrand, South Africa, June 2005, p. 121.

<http://www.nepad.org/2005/files/aprm/APRMGhanareport.pdf>

²⁸⁰ Ministry of Finance: Mid-Year Review of 2001 Budget, Accra, Ghana, 2001.

²⁸¹ Tsikata, D. and Seini, W.: Identities, Inequalities and Conflicts in Ghana, Centre for Research on Inequality, Human Security and Ethnicity (CRISE), Queen Elizabeth House, University of Oxford, Working Paper 5, November 2004, p. 4.

<http://www.crise.ox.ac.uk/pubs/workingpaper5.pdf>

land tenureship system in Ghana, particularly in the Northern part of the country, is controlled by tribal leaders could potentially renew ethnic conflicts in the country.

However, these are minor problems in Ghana. The country is relatively stable. It has a healthy political environment and a well functioning government. Nonetheless, the APR Panel made the following remarks: “Ghana should continue efforts to review and modernize the institution of chieftaincy to be more responsive to the population’s needs, including those of women, and enhance the capacities of the National, Regional and Traditional Houses of Chiefs to clear case backlogs within a set time-frame.”²⁸² The Panel also recommended Ghana “to introduce a comprehensive land law and a firm plan to accede to and ratify several international protocols, especially those dealing with human rights.”²⁸³

3. Assessing DPG in Ghana: enhance constitutional democracy, including periodical political competition and opportunity for choice, the rule of law, citizen’s rights, as entrenched in all African and international human rights instruments under the GPD

...the NEPAD Framework Document and Declaration identify, among others, democracy and good political governance as preconditions and foundations of sustainable development and the eradication of poverty. The Overall objective is to consolidate a constitutional political order in which democracy, respect for human rights, the rule of law, separation of powers and effective, responsive public services are realized to ensure sustainable development and a peaceful and stable society.

NEPAD/HSGIC-03-2003/APRM/OSCI, 9 March 2003

Since its return to constitutional rule in 1992, Ghana has joined the likes of a few countries in Africa where significant progress has been made in terms of maintaining the momentum of the democratic transition, political stability with relatively little ethnic conflict.²⁸⁴ While many African countries have not been able to maintain democracy after participating in the ‘democratic wave’ of the early 1990s, Ghana has qualitatively

²⁸² Gruz, S *Op. Cit.* 59

²⁸³ *Loc cit*

²⁸⁴ Crawford, G.: “The European Union Democracy Promotion in Africa: The case of Ghana” in *The European Journal of Development Research*, Vol.17, No.4, December 2005, p. 573.

improved its democratic processes including electoral process, human rights protection, and civil-military relations.²⁸⁵

This section reviews the DPG area of the APRM process of Ghana. It should be remembered that at one point before NEPAD was established, Ghana suffered from political instability. However, According to the APR Panel,

despite the turbulence of four coups *d'état* between 1957 and 1981, the country has experienced neither civil conflict nor interstate war. The country review report emphasizes that Ghana is seen as an oasis in an otherwise volatile sub-region and observes that regional tensions with Benin, Burkina Faso and Togo have largely dissipated under President John Kufuor's 'good neighborliness' policy.²⁸⁶

Throughout its review process, Ghana has shown the African continent that in many respects it complies with good governance. The country has for instance met the objective of enhancing constitutional democracy, including periodical political competition and opportunity for choice, the rule of law, citizen's rights, and supremacy of the Constitution which is an important complement of the DPG focus area of the APRM process. The country has also demonstrated to Africa and the rest of the world that in Africa, democratic contest for political power is possible and that the judicial instruments can be independent. First, Ghana enjoys a presidential-parliamentary system of governance under a multi-party electoral system and has a Constitution dating from 1992 which guarantees and protects a broad range of rights and freedoms for its citizens.²⁸⁷ Second, the country showed strong respect for the rule of law and the supremacy of the Constitution - "the basic foundations on which all the institutions of governance, the private sector and civil society are grounded."²⁸⁸

Furthermore, Ghana has established the necessary legislative and administrative instruments to create the proper environment for the implementation of good governance standards. Ghana has got independent bodies such as the Electoral Commission (EC) and

²⁸⁵ Loc. cit

²⁸⁶ Gruzd, S Op. Cit. 57

²⁸⁷ NEPAD Op. Cit. 20

²⁸⁸ Ibid. 21

the National Commission for Civic Education of 1992 which promote and protect political rights including securing the independence of electoral mechanisms to ensure free and fair elections. Established in 1993, the Commission for Human Rights and Administrative Justice (CHRAJ) ensures electoral competition, good governance and accountability. The CHRAJ instrument is mandated to: “(a) investigate and take remedial action, or make appropriate recommendation on complaints of alleged corruption, abuse of public power and human rights violations; (b) to promote public knowledge and awareness of human rights; and (c) to enforce the provision of Chapter 24 of the Constitution on the Code of Conduct for public officials.”²⁸⁹

These factors have not only contributed to high ODA in Ghana but have also changed the economic context of the country. According to Abdulai, “over the last fifteen years, official government statistics suggest that Ghana has managed to reduce poverty levels significantly by an annual average rate of 1.5% from high of 51.7% of the population in 1991/91 to 39.5% in 1998/99 and then further to 28.55% in 2005/2006. During the same period, the proportion of Ghanaians described as extremely poor was also reported to have declined from 36.55% to 26.8% and then to 18.2%.”²⁹⁰

Overall, Ghana’s CRM found that competition for political power is robust and open in the country and that succession from one party and president to another has been done in orderly fashion through the peaceful and internationally accepted free and fair elections held since 1992.²⁹¹ Box 3 provides a summary of Ghana’s APRM report on issues related to DPG.

²⁸⁹ *Ibid.* 22

²⁹⁰ Abdulai, A., *Political Context Study – Ghana: Human Rights, Power and Civic Action*, research project, Universities of Oslo, Leeds and Ghana, 2009, p. 21.
<http://www.polis.leeds.ac.uk/assets/files/research/research-projects/abdulai-ghana-political-context-study-jan09.pdf>

²⁹¹ NEPAD *Op. Cit.* 23

Box 3: Dividends of democracy in Ghana

APRM is essentially about governance and political issues. The APR process has clearly demonstrated that Ghana has made significant – and commendable – progress in institutionalising democracy and promoting good governance. A country that has been under civilian authoritarian and dictatorial rule and military regimes for many years is now stable. Ghanaians are generally confident that they have a system of governance of their own making, appropriate to their own particular circumstances and their efforts to institutionalise democracy and good governance

Ghanaians have also created unique institutions and processes that other African countries could consider emulating or adapting for their own use. These include the Annual Governance Forum, where stakeholders discuss selected issues on democracy and good political governance. It has been held every year since 1998, initially under the auspices of the National Institutional Renewal Programme and Parliament and, more recently, the National Governance Programme. The other, instituted in 2001, is the People's Assembly, an annual unstructured interaction between the President and the people. The Assembly allows Ghanaians from all walks of life to pose any questions to the President.

The Assembly and the Forum have expanded the political space for ordinary people and have brought the government somewhat closer to them. These institutions have certainly demystified the government, rendering it less abstract and remote. Ghanaians' sense of ownership has been strengthened, in that they have a system of governance that listens to them and is approachable. This process demonstrates that partnership between the civil society, the government, media, the press and the private sector is possible and practicable, and eminently useful.

NEPAD, 2005

Despite the findings of the APRM report in terms of achievement in democracy and respect for the rule of law, the report highlighted a number of issues that need actions to strengthen democracy and good governance processes in the country. These include, concerns about the poor financing of the Electoral Commission and other key institutions, notably are human rights, financial and logistic capacities, the lack of internal democracy

within political parties, the under-representation of women all of which could potentially harm the democratization process of the country in the long run.²⁹²

Nonetheless, without disregarding the APR Panel's recommendations, President Barack Obama's first official visit to Ghana as the President of the U.S substantiates that the country is indeed committed to democracy and good governance. The purpose of President Obama's visit was to pay tribute to the effective governance that Ghana has put in place. Accordingly, "we have seen progress in democracy and transparency and the rule of law, as in the case protection of property rights, and anti-corruption efforts."²⁹³

During his visits, President Obama stressed the role played by Ghana in strengthening democracy and good governance. Ghana has made an extraordinary progress around democratic issues. The country has established "a set of institutions that are sustaining democracy and openness and participation...an economy that has been well managed...a greater level of transparency and openness...growth strategies that are actually delivering improved standards of living for the people."²⁹⁴ All of these reasons prompted Obama's visit to Ghana: "the people of Ghana have worked hard to put democracy on a firmer footing, with repeated peaceful transfer of power even in the wake of closely contested elections...and with improved governance and emerging civil society, Ghana's economy has shown impressive rates of growth."²⁹⁵

4. Assessing EGM in Ghana: pursue transparency, effectiveness and predictability of government economic policies

²⁹² Zounmenou, D.: "Ghana's 2008 election: towards a consolidated democracy?" Situation Report, Institute for Security Studies (ISI), July, 27, 2009, p. 4.

²⁹³ Shabazz, S.: "Obama expected in Ghana at end of the week", *The New York Amsterdam News*, July 9-July 15, 2009.

²⁹⁴ Administration of Barack H. Obama: *Remarks Following a Meeting with President John Evans Atta Mills of Ghana in Accra, Ghana*, July 11, 2009. <http://www.gpoaccess.gov/presdocs/2009/DCPD-200900555.pdf>

²⁹⁵ The White House: *Remarks by the President to the Ghanaian Parliament, Accra International Conference Center*, Accra, Ghana, July 11, 2009. http://www.whitehouse.gov/the_press_office/Remarks-by-the-President-to-the-Ghanaian-Parliament/

... to promote market efficiency, to control wasteful spending, to consolidate democracy, and to encourage private financial flows all of which are official aspects of the quest to reduce poverty and enhance sustainable development.

Declaration on Democracy, Political, Economic and corporate Governance, paragraph 18

After a long period of military rule and bad governance, Ghana rebounded following the launch of a tough economic recovery programme two decades ago followed by a successful democratization process.²⁹⁶ In addition to the DPG, Ghana has also made significant commitment to the EGM aspect of good governance of the APRM. The country has taken major steps in implementing best practices in a number of institutional, structural, and aspects of macroeconomic management, among others, in order to improve fiscal transparency, budgetary processes and corporate governance.²⁹⁷

In so doing, the country has adopted various internationally recognized standards and codes, plans; it has passed laws, adopted new norms, and reformed various practices in this regard.²⁹⁸ Among them are: The NEPAD Framework Document (2001) ratified in 2003; the Constitutive Act of the African Union (2000) ratified in 2001; the Core Principles for Systematically Important Payment Systems ratified and translated into law in 2003; the Core Principles for Security and Insurance Supervision and Regulations adopted in 1997; the African Union Conventions on Prevention and Combating Corruption signed in 2003; and the Abuja Treaty establishing the African Economic Community (1991) adopted in 1991.²⁹⁹

Notwithstanding Ghana's efforts, African countries in general are quick to sign treaties and conventions but reluctant to enact and implement them. The Ghanaian APRM country report for instance has only made one reference of a ratified Act in EGM which is the Core Principles for Systematically Important Payment Systems also passed into law. This is a crucial challenge regarding the success of NEPAD. But, at least in Ghana, the government has delegated relevant institutions to ensure the implementation of the

²⁹⁶ NEPAD *Op. Cit.* 5

²⁹⁷ *Ibid.* 47

²⁹⁸ *Loc cit*

²⁹⁹ *Ibid.* 48

above codes and standards. The respective institutions are Parliament, Ministry of Regional Cooperation and NEPAD; Ministry of Foreign Affairs; Bank of Ghana and; Ministry of Interior, Ministry of Justice and Attorney general.³⁰⁰ The appointment of these wash dog bodies suggests a positive movement towards good governance.

Under the EGM, the pursuit of transparency, effective and predictable government economic policies are important objective in this focus area. In terms of the APRM mechanism, “transparency refers to an environment in which the public is supplied with the following in a clear, accessible and timely manner: (a) the objectives of policy and its institutional (including legal) and economic framework; (b) policy decisions and their rationale; (c) data on information related to policies; and (d) the terms of accountability.”³⁰¹

The findings of the APR instruments (the CSAR and the CRM) with respect to the EGM area in Ghana are appealing. Accordingly, “actions that would make public administration, legal and legislative systems, and the fiscal authorities work effectively in a transparent manner.”³⁰² Ghana has stepped forward a number of projects in the 1990s to achieve this objective. Key initiatives include the National Institutional Renewal Programme (1994), Civil Service Performance Improvement Programme (1996), Public Sector Management Reform Programme (1999), Public Financial Management Reform Programme (1999) and the National Governance Project (1997). Although these projects produced mixed results, inadequate political commitment and time-frames for implementation were the main reason behind failure to achieving appropriate transparency and effectiveness.³⁰³

The donor community also regards Ghana as one of the most stable economies in Africa and one of the most promising democratic experiments in the region due to positive

³⁰⁰ Loc cit

³⁰¹ Ibid. 60

³⁰² Loc cit

³⁰³ Loc cit

prospects for socio-economic improvement.³⁰⁴ Ghana is a model of success story in the African continent. According to Guseh, the international community praises Ghana for its successful political and economic reforms while development agencies and scholars perceive the country to be in the forefront of African socioeconomic issues.³⁰⁵ Ghana maintains a stable economy with a GDP growth which grew from 4.2% in 2001 to 5.8% in 2004³⁰⁶ and 6.2% in 2006.³⁰⁷

Box 4: Better economic management in 2001- the new government's first year

The government has managed the economy and met all the monetary and fiscal performance indicators under the International Monetary Fund (IMF)/World Bank programmes for 2001:

- The overrun on public sector borrowing requirements dropped from 981% in 2000 to a moderate 27% in 2001, while net domestic financing, adjusted for domestic payment arrears, improved from 9.3% of GDP in 2000 to 2.3% in 2001.
- The average inflation rate fell from 41% at the beginning of 2001 to 21% at the end of 2002.
- The average rate of depreciation of the cedi against the dollar declined from 49% in 2000 to 3.7% in 2001.
- The treasury bill rate declined from 47% to about 29%.
- Tax revenue increased by 18% through more effective tax administration.
- The net foreign assets position improved from -300 billion cedis (about \$45 million) in 2000 to 2,300 billion cedis (about \$180 million) at the end of 2001.
- Import cover of external reserves improved from 1 month in 2000 to 1.7 months in 2001.
- Streamlining the public debt accounting framework and shifting government domestic borrowing from bank to nonbank instruments eased pressure on credit available to the private sector.

Source: Economic Commission for Africa, from official sources and the ERA (03)

Ghana provides a case for a successful democratic economy and sound economic management (box 4). Ghana has earned credit as a haven of good governance in West

³⁰⁴ Zounmenou, D *Op. Cit.* 2

³⁰⁵ Guseh, J.S.: "Democracy and Economic Growth in Africa: the case of Ghana and South Africa" in *Journal of Third World Studies*, Vol.22, No.20, 2005, p. 122.

³⁰⁶ The IMF: *Ghana Poverty Reduction Strategy Paper*, IMF Country Report, No. 06/225, Washington, D.C, June 2006, p. 15.

<http://www.imf.org/external/pubs/ft/scr/2006/cr06225.pdf>

³⁰⁷ The IMF: *Loc cit.* 12

Africa.³⁰⁸ In return, the nation has every reason to expect its development partners to reward it with more resources (e.g. aid) for development. Yet, conversely, if the reality does not live up to the rhetoric in Ghana, then the relationship between good governance and increased aid assistance will remain discouraging. Nor, will the concepts of “mutual accountability” and “mutual responsibility” between Africa and its development partners hold true.

5. Ghana: an aid dependent economy

Commitment to good governance practices offers Ghana high level of prospects for aid assistance from the developed world. Besides championing the APRM, Ghana was prematurely confident with the effects of the APRM process. The Ghanaian President has repeatedly spoken about his convictions of using the APRM as a tool not only to infuse good governance and alleviate poverty but also to attract more donors and investors.

In reality, aid support from donor community to Ghana is not an option but a necessity. Ghana depends heavily on Western donors countries. The country “represents the World Bank’s largest programme in sub-Saharan Africa, amounting to a high case scenario of \$1.4 billion over four years.”³⁰⁹

Furthermore, the government of Ghana desperately needs aid assistance from its external partners to outsource its annual budget. Particularly, since its 1983 tough economic reforms, the country has received significant ODA flows to fix up its budget deficit. As a customary source of external revenue in the country, aid accounts over 50% of Ghana’s development budget and about 12% of gross national income (GNI).³¹⁰ In the year 2001 alone, donor assistance to economic services and infrastructure budgets represented 86 %

³⁰⁸ Hughes, T.: “Ghana: A Donor Success Story” in South African Journal of International Affairs, Vol. 12, Issue 2, 2005, p. 88.

³⁰⁹ Loc cit. 87

³¹⁰ Ackah, C. G, Aryeetey, E. and Aryeetey, E., Global Financial Crisis Discussion Series Paper 5: Ghana, ODI, London, May, 2009, p. 15.
<http://www.odi.org.uk/resources/download/3308.pdf>

for the agriculture sector, 90 % for energy, 72 % for industry, 76 % for water, and 76 % for roads.”³¹¹

To add on that, Ghana has received over US\$50 ODA per capita per year in recent years.³¹² Further, although OAD as a source of foreign currency to finance imports has dropped in relative terms over the years, ODA amounted to 14% of imports of goods and services in 2006.”³¹³ Also, “in 2007, about a third of OAD went to the government budget (US\$378 million), amounting to 20% of government consumption expenditures.”³¹⁴

Aid is also a major source of finance to key development projects in Ghana that work towards meeting the MDGs and the country’s poverty alleviation strategy (GPRS I and II). In addition to this, budget support from development partners in the form of grant and concessional loans averaged \$300 million per year between 2003 and 2009 including \$380 million plea for the 2009 budget alone. In the same year, aid flows to Ghana reached approximately \$2 billion, the highest since the beginning of the millennium.³¹⁵

Nonetheless, the recent global economic and financial crisis presents a challenge to continued Ghanaian development. It will be difficult to expect development partners seriously affected by the downturn to increase aid flow and to finance the resource gap and the budget deficit of African economies including aid dependent Ghana (figure 11). Empirical works reveal the following: “total aid disbursements are positively correlated with donor’s output.....hence, given the severity of the slowdown in growth in developed economies, a potential reduction in bilateral aid flows to Ghana is not unlikely.”³¹⁶

³¹¹ Hughes, T *Op. Cit.* 87

³¹² Brinkman, H, Bauer, J. and Mahama, A.: Assessing the Impacts of the Global Economic and Financial Crisis on Vulnerable Households in Ghana, United Nations World Food Programme (WFP), May 2009, p. 12.

[http://www.reliefweb.int/rw/RWFiles2009.nsf/FilesByRWDocUnidFilename/MUMA-7SV5KB-full_report.pdf/\\$File/full_report.pdf](http://www.reliefweb.int/rw/RWFiles2009.nsf/FilesByRWDocUnidFilename/MUMA-7SV5KB-full_report.pdf/$File/full_report.pdf)

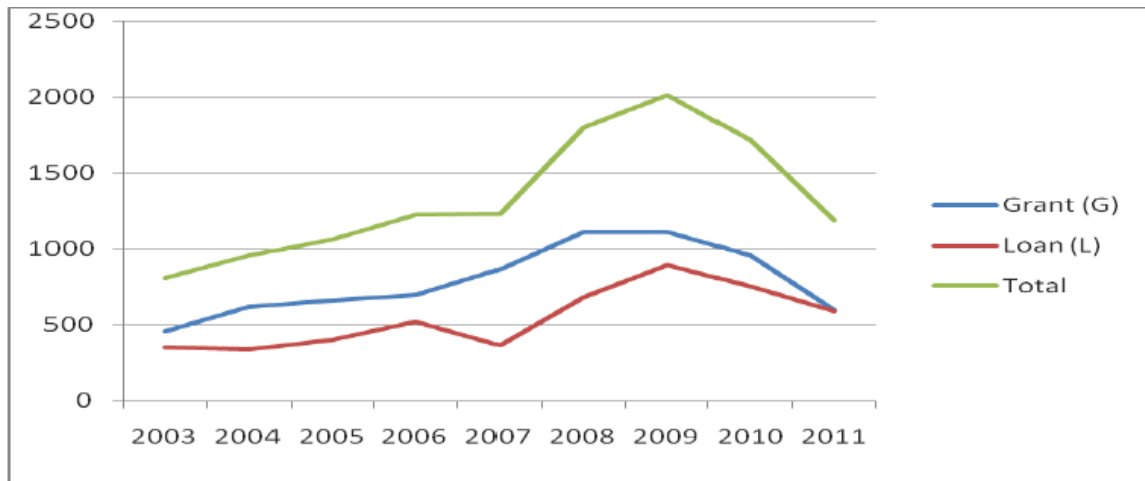
³¹³ *Loc cit*

³¹⁴ *Loc cit*

³¹⁵ Ackah, C. G, Aryeetey, E. and Aryeetey, E *Op. cit.* 15

³¹⁶ *Loc cit*

Figure 11: Aid flows, 2003-2011 (US\$ million)



Source: Authors' calculations based on data obtained from the World Bank.

In this context, one would assume that aid to Ghana will be reduced. However, this appears not to be the case. For example, “on 1 August 2006, Ghana signed a compact with the Millennium Challenge Corporation (MCC) (a corporation of the United States’ government which aims to promote development in the world’s poorest countries). In terms of this, about \$US547 million would be made available over five years. It would aim at reducing poverty by raising farmers’ incomes through increasing production and productivity and enhancing the country’s export base.”³¹⁷ Indeed, the MCC acknowledged that the deal is a testament to Ghana’s strong commitment to good governance and building the necessary instructional makeup for aid effectiveness,³¹⁸ said the Chief Executive Officer of the MCC, Ambassador John Danilovich in a press release. Therefore, the hypothesis that Ghana and its developed partners are mutually accountable and responsible proves to hold true.

International donors have ranked Ghana among the success stories of economic development in Africa. The country has emerged as one with strong economic and political ties with developed countries or donor community. Therefore, the country’s development patterns are linked with the international community and Western donors in

³¹⁷ Herbert, R. and S. Gruzd Op Cit. 184

³¹⁸ Loc cit

particular.³¹⁹ In many respect, “Ghana’s development since independence in 1957 has been defined as much by its engagement with the international community as by its often tempestuous domestic politics and policies.”³²⁰

Ghana’s emergence is a development miracle following its return to constitutional rule in 1992. “For example, from 1992-1999 it succeeded in reducing poverty from 51.7% to 39.55%. During the same period, the incidence of extreme poverty was reduced from 36.4% to 26.8%.”³²¹ According to Hughes, “Ghana’s recent macroeconomic performance has been encouraging. Whilst the GDP growth rate of 5.2% is the best in a decade, 12-month consumer price inflation has dropped from 23% at the end of 2001 to 11.2% in April 2004.”³²²

More to the point, Ghana’s commitment to pro-development macroeconomic policies reinforces its relationship with its development partners further. As noted by the ECA, “of the eight African countries with the best prospects of achieving some of the MDGs by 2015, Ghana ranks third in sub-Saharan Africa in macro-economic stability, institutional development and poverty reduction.”³²³ The World Bank believes that Ghana is among a handful of African economies that may meet some of the MDGs.³²⁴ Therefore; it proves to be true that Ghana’s commitments to internationally recognized development blue prints like the MDGs have led the donor community to deliver on aid promise. As a result, the country has its debt burden written off by donors.

6. Debt relief and debt cancellation in Ghana

ODA flows to Ghana play an important role in uplifting the debt burden of the country. It mainly constitutes a larger share of the country’s externally funded budget. Ghana has for instance attracted a large pull of resources from its external partners since its 1983 reform

³¹⁹ Hughes, T Op. Cit. 76

³²⁰ Loc cit

³²¹ Ibid. 76

³²² Ibid. 85

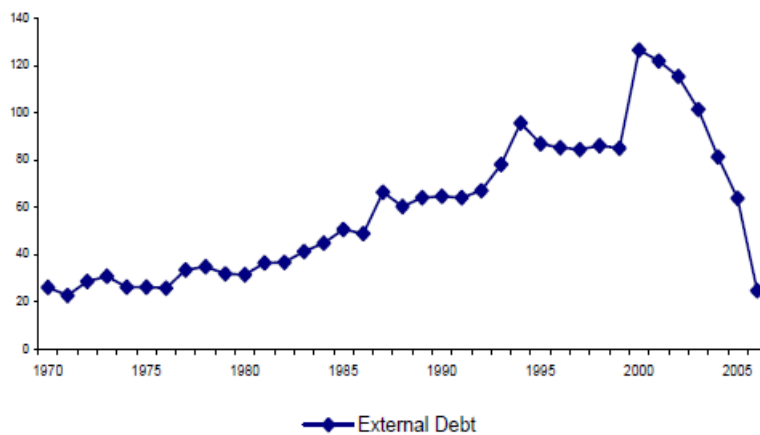
³²³ Ibid. 76

³²⁴ Loc cit

to finance the twin domestic and external deficit despite some levelling-off in the more recent time.³²⁵ This includes the decrease in ODA/GNI ratio from a peak of 15.5 % in 2004 to just 10.5 % in 2005.³²⁶

It becomes apparent that the APRM holds positive prospects for Ghana. The programme “has been cited in Ghana’s Debt Cancellation of US\$4.5 billion dollars and the Millennium Challenge Account of US\$ 290 million dollars.”³²⁷ Also, in 2002, Ghana met the requirement for debt forgiveness (under the HIPC initiative) from the Bretton Woods institutions and other creditor nations, particularly those belonging to the Paris Club. In terms of the HIPC formula, the reduction of Ghana’s debt to 250% of government budget translated into a debt forgiveness of \$2,186 million (net present value), representing 56.2% of its debt and leading the country to save some \$200 million in debt interest servicing over a 10-year period.³²⁸

Figure 12: Ghana’s external debt



Fosu, A. K (2009)

³²⁵ Fosu, A. K., Country Role Models for Development Success: The Ghana Case, Research No. 2009/42, United Nations University, World Institute for Development Economic Research, June 2009, p. 11-12 http://www.wider.unu.edu/publications/working-papers/research-papers/2009/en_GB/rp2009-42/files/81606576194060308/default/RP2009-42.pdf

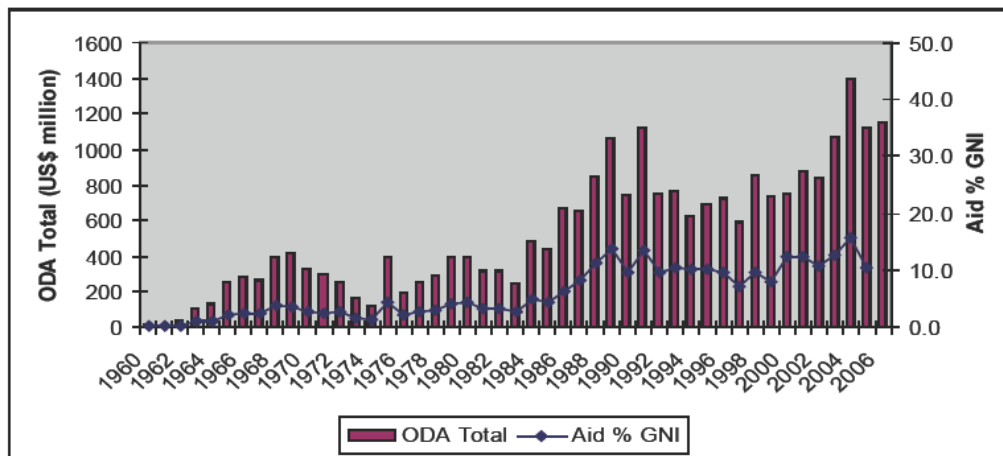
³²⁶ Loc cit. 12

³²⁷ Apraku, K Op. Cit. 6

³²⁸ Hughes, T Op. Cit. 84

Moreover, in 2004, Ghana reached a point whereby its amount of aid assistance, together with any other amount agreed to with leaders, was released due to the country's compliance with pre-determined 'triggers',³²⁹ such as good governance. Figure 12 shows that "Ghana's external debt stock has been decreasing since 2000 from a high of 126.6 % of GDP to only 10.5 % in 2005."³³⁰ This proves that Ghana has been the beneficiary of substantial debt relief and scaling-up of OAD. And, the cancellation of the country's debt problem paralleled with an increase in OAD from about US\$824 million in 2003 to about \$1797 million in 2008, constituting about 10% of GNI (figure 13).³³¹

Figure 13: Trends in aid flows, 1960-2006



Source: Whitefield and Jones (2009) & ODI, 2009

Despite that, these findings do not challenge the hypothesis of this study. On the contrary, they strongly support the positive relationship between good governance and increased aid assistance thus accepting the existence of 'mutual accountability' and 'mutual responsibility' between Africa and its development partners. Ghana is widely considered to be an African success story, in a way an uncommon or abnormal circumstance.

However, Ghana is not the only country of NEPAD where one can measure the success of this programme. NEPAD's success is also evident in countries like Rwanda, which is

³²⁹ *Ibid.* 85

³³⁰ Fosu, A. K *Op. Cit.* 12

³³¹ Ackah, C. G, Aryeetey, E. and Aryeetey, E *Op. Cit.* 15

one of Africa's leading examples in respect of good governance. On the contrary, Zimbabwe represents a failed case for NEPAD mainly due to its reluctance to comply with democratic good governance. The following section will give a brief examination of these two countries to reinforce the hypothesis of the present dissertation.

7. Rwanda: APRM

After its independence from Belgium in 1962, Rwanda was marked by a history of civil war (1990) and ethnic conflict (e.g. genocide in 1995) which challenged its very existence. In recent years however, the country has conformed to the components of good governance including respects for democracy and the rule of law. Rwanda has undergone dramatic institutional reforms and political reconstruction and has put in place a functioning and stable government with all its branches (executive, judiciary, and legislature).³³²

In the aftermath of its 1994 genocide, the government of Rwanda has established policies and institutions that promote participatory democratic governance. It has particularly been able to spread out administrative and financial powers to local governments closer to the communities of Rwanda which have led to the formulation and successive adoption of the 2000 decentralization policy.³³³ Founded on the principles of participation, and ownership of development programs for local governments, the policy "has been enshrined in the laws and is at the heart of the nationwide democratization process as well as the poverty reduction strategy."³³⁴ Since then the country has dramatically redefined its political landscape.

The government of Rwanda has adopted a policy of zero tolerance for corruption and routinely investigates and takes legal actions against allegations involving public

³³² Government of Rwanda: National Program for Strengthening Good Governance for poverty Reduction in Rwanda, March 2002, p. 15.

<http://www.grandslacs.net/doc/4107.pdf>

³³³ Alexander, S., Good Governance in Rwanda: Highlights, conference paper presented at Alpha-Palace Hotel, Rwanda, 05/10/2004, p. 4.

http://www.minaloc.gov.rw/IMG/doc/goodgov/3/gg_conference_gghighlights_uk.pdf

³³⁴ Ibid., 5

officials. The country ranks far better than its neighbours in Transparency International's Corruption Perception Index as well as on the Ibrahim Index of African governance.³³⁵ Dramatic institutional reforms took place in Rwanda to foster sound financial management. The government has created an Organ Budget Law – a new procurement code and oversight institution, and a Public Expenditure and Financial Accountability assessment mechanism. Overall, the Rwandan government has created a number of institutions aimed at fostering and monitoring good governance. These include the national Unity and Reconciliation Commission, Human Rights Commission, National Electoral Commission, the Auditor General, National Tender Board and Ombudsman.³³⁶

Furthermore, Rwanda joins the like of a small number of African countries that allow for multiparty elections to regularly take place and maintains a smooth continuity of government after a long period of ethnic cleansing. According to Jordaan, “the Rwanda of today is by and large safe, politically stable, quite responsibly governed relative to many other African states, and more unified than it has been for decades.”³³⁷

Above all, Rwanda is also amongst the first sixteen African nations to accede to the APRM in March 2003 which is an indication of progress towards compliance with good governance. It was the third country to undergo peer review in 2005 after Ghana and Kenya. Throughout its review process, Rwanda presented acceptable practices of good governance from which other countries in Africa can emulate.

On DPG, the report found that, in the wake of its 1994 genocide event, Rwanda has been making “significant progress in political reconciliation with the establishment of a new constitution in 2003 that guarantees basic human rights, separation of powers, and the establishment of the national institutions necessary to reconcile the nation and to deal

³³⁵ AfDB: Rwanda 2008-2011 Country Strategy Paper, Country and Regional Department – East A (OREA) September 2008, p .4.

<http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/ADB-BD-WP-2008-162-EN-RWANDA-2008-2011-COUNTRY-STRATEGY-PAPER.PDF>

³³⁶ Lo cit

³³⁷ Jordaan, E.: “Inadequately Self-Critical: Rwanda's Self-Assessment for the African Peer Review Mechanism” in African Affairs, 105/420, 2006, p. 333.

with genocide crimes.”³³⁸ Since then, democracy and political governance has replaced ethnic conflict and political instability in the country. However, the country still needs to overcome a number of obstacles related to democracy. These include limited “political space for competition of ideas and power”, improvement in the voting system of local communities and improvement in the capacity of the Electoral Commission.³³⁹

Moreover, the country made important progress in economic governance and management including best practices for budget transparency.³⁴⁰ The country has been able to deal with a number of critical issues that defined its post-genocide economy. These include, “internal and external security, reconstruction, rehabilitation of displaced persons, and redressing of social fragmentation.”³⁴¹ It has been found from its peer review report that Rwanda had incredibly reshuffled its economy from a condition of near collapse and that it has achieved remarkable reforms in many aspects of its economy.³⁴² Furthermore, the role of the Rwandese government in the economy has been made clear through the privatization process of the country and improvement in the regulatory framework.³⁴³

Besides the APRM, good governance is a matter of national policy in Rwanda. The government of Rwanda acknowledges the link between good governance and poverty alleviation. In 2001, the Rwandese government held a National Conference for Integrated Evaluation and Planning to Strengthening Good Governance Poverty Reduction in Rwanda in order to encourage good governance and poverty alleviation.³⁴⁴ The workshop led the government to develop a national policy document called: “National Strategy Framework Paper on Strengthening Good Governance for Poverty Reduction in Rwanda.”³⁴⁵ As a result of these developments, positive performance in aid and

³³⁸ NEPRU: Findings of APRM Assessments in Rwanda, NEPAD Briefing No. 19, 2007, p. 1.

³³⁹ <http://www.nepru.org.na/index.php?id=269>

³⁴⁰ NEPAD Op. Cit. 13

³⁴¹ NEPRU Op. Cit. 1

³⁴² NEPAD Op. Cit. 58

³⁴³ Loc cit

³⁴⁴ Ibid. 66

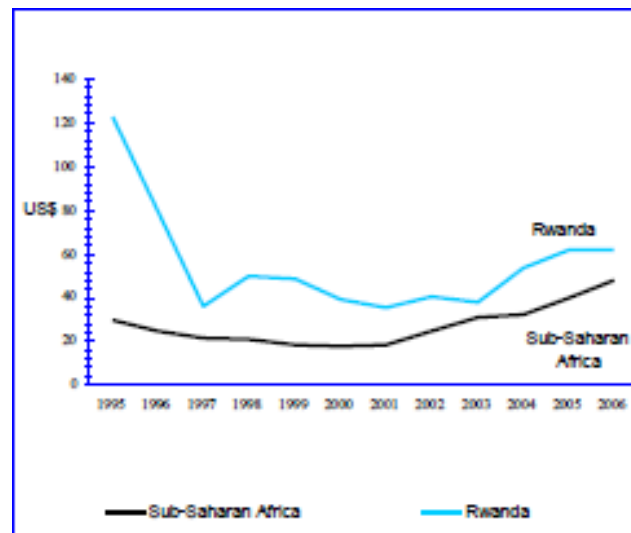
³⁴⁵ Government of Rwanda Op. Cit. 6

³⁴⁶ Ibid. 7

investment has occurred in the country. In fact, what caused the economic success story of Ghana can be repeated elsewhere in Africa. Rwanda is another NEPAD's developing member state that has been successful in attracting more ODA after commitment to good governance.

7.1 Trends in ODA to Rwanda

Figure 14: ODA per Capita



Source: OECD, Africa Strategic Outlook, 2004-2005

Rwanda's commitment to good governance has made the country an enviable destination for ODA. First of all, "Rwanda's Aid Policy identifies budget support as the preferred modality of aid delivery."³⁴⁶ Budget support means "the transfer of financial resources of an external financing agency to the national treasury of a partner country."³⁴⁷ This aspect has been met by the donor community in Rwanda. In 2005, ODA to Rwanda which was approximately US\$ 500 million represented 23 % of the GDP, more than half of government budget and more than 90 % of its capital investment budget.³⁴⁸ "This

³⁴⁶ *Ibid.* 12

³⁴⁷ ActionAid: *Wither EC Aid? Briefing note: Budget support*, Johannesburg, South Africa, 2008, p. 1. <http://www.womnet.de/content/2008/budget-support-12may.pdf>

³⁴⁸ UNDP: *Assessment of Development results Evaluation of UNDP Contribution: Rwanda*, New York, May 2008, p. 10-11. http://www.undp.org/eo/documents/ADR/ADR_Reports/Rwanda/ADR_Rwanda_full_report.pdf

amounted to \$55 per capita, compared with an average in sub-Saharan Africa of approximately \$25 per capita” (see below 14).³⁴⁹ This challenges the opinion of dependency theorists who say that NEPAD has not been successful.

Furthermore, since the 1994 genocide the aim of ODA to Rwanda has been to support long-term development. ODA to Rwanda plays an important role in the socio-economic development of the country. In 2004, Rwanda was the recipient of US\$468 million in ODA which accounted for 26% of GNI, and nearly half of the government budget.³⁵⁰ Rwanda has also experienced a steady increase in ODA since 2002. Total ODA to the country reached US\$ 695 million in 2007, about US\$ 65 per capita accounting about 50% of the 2005-2007 budgets.³⁵¹ In Zimbabwe however, the picture looks different.

8. Zimbabwe

Zimbabwe presents a case where NEPAD has not been successful. The state of Zimbabwe has been fragile and ungovernable since the year 2000 to early 2009³⁵² as a result of severe restrictions of political and civil rights and increased isolation from the international community. A fragile state is one significantly susceptible to crisis in one or more of its institutional structures where “state power is unable and or unwilling to deliver core functions to the majority of its people: security, protection of property rights, basic public services and essential infrastructure.”³⁵³ Its characteristics include economic meltdown; repressive undemocratic government; myopic land (farm) grabbing ‘policy’; self-interested groups; and corruption and criminality.³⁵⁴

³⁴⁹ *Ibid.* 10

³⁵⁰ OECD: *2006 Survey on Monitoring The Paris Declaration: Country Chapter Rwanda*, 2007, p. 27-28.
<http://www.oecd.org/dataoecd/32/32/38920147.pdf>

³⁵¹ *Loc cit.* 12

³⁵² Albert, M. And K. Marko., *State Fragility: Zimbabwe’s horrific journey in the new millennium*, A Research Paper Presented at the European Report on Development’s (ERD), Accra, Ghana, 21-23 May 2009, p. 13.

<http://erd.eui.eu/media/makochekanwa.pdf>

³⁵³ *Loc cit.* 5

³⁵⁴ *Ibid.* 2

Zimbabwe has failed the credibility test of good governance. According to the US Department of State, although the Zimbabwean Constitution provides for an independent judiciary, in practice, “many judges have been under intense pressure to conform to government policies, and the Government has repeatedly refused to abide by judicial decisions with which it did not agree.”³⁵⁵ Overall...

the main outstanding governance issues include the on-going political impasse with the Western governments; poor performance of public enterprises; weak fiscal expenditure controls; high levels of corruption; high administrative controls; weak public service delivery; underutilization of the farmland and lack of clarity on issues related to land tenure rights and ownership; uncertainty over property rights; and, inadequate provision of social safety nets.³⁵⁶

Meanwhile, the electoral process in Zimbabwe is not transparent. Rather, it is characterized by widespread political violence and intimidation. Zimbabwe registered at least ‘30 assassinations and 18 000 cases of assaults, property damage, displacement from home areas, detention, abdication, death threats, and interference with the right to campaign and vote freely’ during its 2000 parliamentary elections.³⁵⁷ Rejected by the Zimbabwean main opposition party and Western donors, the results of these elections challenged NEPAD’s vision of good governance.³⁵⁸ Likewise, the International Crisis Group described the 2005 parliamentary elections as neither free nor fair while mass post electoral violence in 2008 questioned the legitimacy of President Robert Mugabe’s regime.³⁵⁹

In 2008, contested elections in Zimbabwe was fuelled by massive political violence because the incumbents’ government compromised the freedom of electoral institutions for personal gains, and the electoral body became an extension of the ruling party “which

³⁵⁵ Andrews, C. and Bryn, M., Zimbabwe after the 2005 parliamentary Election, House of Commons Library, Research Paper 05/58, 18 August 2005, p. 13.

<http://www.parliament.uk/commons/lib/research/rp05-058.pdf>

³⁵⁶ AfDB: Zimbabwe: Country Dialogue Paper, Regional Department, South A-ORSA, April 2007, Tunis, p. 6. <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/ADB-BD-WP-2007-40-EN-ZIMBABWE-2007-COUNTRY-DIALOGUE-PAPER.PDF>

³⁵⁷ Maundeni, Z.: “Why the African Renaissance Is Likely to fail: The Case of Zimbabwe” in Journal of Contemporary African Studies, Vol. 22, No. 2, 2004, p. 206.

³⁵⁸ Ibid

³⁵⁹ Andrews, C. and Bryn, M Op. Cit. 31

accounted in large measure for it's over confidence and the surprise and shock it got as the results began to come in.”³⁶⁰

As a result of endless issues related to governance, human rights, democracy, and political stability, Zimbabwe has received widespread condemnation from the international community, Western donors and multilateral institutions at the turn of the new millennium. The U.S for instance introduced Bill S.494 which restricts foreign aid to Zimbabwe until government restores the rule of law, ensures democratic elections, implements an equitable, legal and transparent land reform, withdraws troops from the Democratic Republic of Congo, and establishes firm civilian control of the military, police and other states security forces.³⁶¹

At present, Zimbabwe is not part of the HIPC club and the country's debt situation is above the HIPC threshold. “Arrears clearance is a prerequisite to full engagement and ability to borrow from the IFIs.”³⁶² While Ghana and Rwanda had their foreign aid cut off as a result of good governance practices, reversed behaviour in Zimbabwe caused the country's external foreign aid reserve to be unsustainable. In 2003, Zimbabwe's total external debt reached US\$ 5,182 million which amounted to an increase of 173% to GDP from a based low of 64% in 1998.³⁶³ In the same year (2003) IMF suspended the country after it failed to service its debt.³⁶⁴ This has also affected the country's ODA performance.

³⁶⁰ Ajayeoba, A., *Avoiding Electoral Violence: A comparative Overview of Kenya-Zimbabwe and Sierra Leone-Ghana*, ActionAid International, 2/22/2009, p. 4.
[http://www.reliefweb.int/rw/RWFiles2009.nsf/FilesByRWDocUnidFilename/MUMA-7PL498-full_report.pdf/\\$File/full_report.pdf](http://www.reliefweb.int/rw/RWFiles2009.nsf/FilesByRWDocUnidFilename/MUMA-7PL498-full_report.pdf/$File/full_report.pdf)

³⁶¹ Chigora, P. and D. Didmus.: “Surviving in a hostile environment: An analysis of Zimbabwe's foreign relations in 21st century international relations” in *African Journal of Political Science and International Relations*, Vol. 3, No. 3, 2009, p. 94-95.

³⁶² AfDB: *Zimbabwe Short Term Strategy: Concept Note*, Regional Department South Region A, Tunis, Tunisia, April, 2009, p. 6
<http://www.afdb.org/fileadmin/uploads/afdb/Documents/PolicyDocuments/Zimbabwe%20ST%20Strategy%20-%20%20concept%20note.pdf>

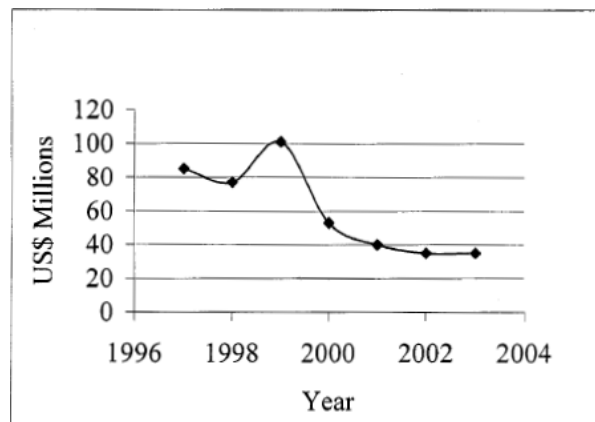
³⁶³ UNDP: *Zimbabwe Millennium Development Goals: Progress Report*, Zimbabwe, 2004, p. 59
<http://planipolis.iiep.unesco.org/upload/Zimbabwe/MDG/Zimbabwe%202004%20MDG.pdf>

³⁶⁴ Cox, L. and Anderson, D. A.: “Dealing with the crisis in Zimbabwe: The Role of Economics, Diplomacy and Regionalism”, in *Small Wars Journal*, August 26, 2009, p. 21.
<http://smallwarsjournal.com/blog/journal/docs-temp/285-cox.pdf>

8.1 Trends in ODA to Zimbabwe

Bad governance in Zimbabwe has strained relationship between the country and the donor community. Major donor economies such as the EU, the U.S and Commonwealth countries imposed targeted sanctions (primarily travel bans and freezing of overseas-held personal assets) on Senior ZANU-PF officials and their families due to governance and human rights related issues.³⁶⁵ The result was an immediate decline in aid relationship between Zimbabwe and its developed partners. Currently, Zimbabwe remains an aid orphan country. It is left with few donors and development partners willing or able to engage on a large scale relationship with the ruling party on development programmes.

Figure 15: Zimbabwe - Official Aid Transfers



Source: World Bank, 2005

In Zimbabwe, “medium-and long-term capital flows, as well as direct investment, have dried up.”³⁶⁶ For example, government to government aid flow in the form of grants has shrunk, from about US\$100 million per annum in the mid 1990s to about 40 million in 2001 to about US\$30 million only in 2000 and 2003 respectively (above 15). Decline in ODA and private investment flows is linked to unstable domestic macroeconomic

³⁶⁵ The World Bank: *Interim Strategy Note for Zimbabwe*, Country Department 3, African Region, August 31, 2005, p. 6.

<http://siteresources.worldbank.org/INTZIMBABWE/Resources/ZimbabweISN.pdf>

³⁶⁶ *Loc cit*

environment in the country and to negative perceptions by donor community on issues of political and economic governance that have destroyed the country's image.³⁶⁷

Zimbabwe's economic indicators are worrisome. In the 1980s the country stood with an annual inflation of 11.8%; a GDP growth of rate of 10.7%; a GDP per capita of US\$755; and an unemployment rate of 30%.³⁶⁸ By the year 2009, the country's economic system reached a stand still. The economy registered a GDP growth rate hyperinflation of above 231 million%; a GDP growth rate of -6.1%; a GDP per capita of US\$402; and an unemployment rate of 94%.³⁶⁹

In this regard, the problems facing Zimbabwe are domestic issues which could be resolved through the restoration of good governance and democracy. While the Zimbabwean crisis challenges the present hypothesis, achieving "mutual accountability" and "mutual responsibility" in this country within the context of NEPAD is beyond the control of the international community and aid donors. It is rather in the hands of the central government of Zimbabwe. Therefore, it can be said that, NEPAD's vision of attracting more FDI and more ODA flows to Zimbabwe could not be achieved because the country itself has not done its part in terms of establishing the necessary conditions to achieve these goals including commitment to democratic good governance.

9. Conclusion

It holds true that it is likely to have "mutual accountability" and "mutual responsibility" between African economies and their development partners. As African countries account for and take charge of their own governance issues, their development partners are most keen to be loyal to their aid commitments for development. This has been the case in Ghana and Rwanda. On the contrary, inherent reluctance from the part of President Mugabe's regime to govern in a democratic fashion has led NEPAD to fail in Zimbabwe.

³⁶⁷ UNDP Op. Cit. 57-58

³⁶⁸ Albert, M. And K. Marko Op. Cit. 3

³⁶⁹ Loc cit

Therefore, the hypothesis that the donor community will provide more financial resources for development to countries that reaffirm their commitment to democratic good governance proves not to be false. It was factual that ODA has improved in Ghana and in Rwanda where democracy and the rule of law reign but has deteriorated in fragile and failed Zimbabwe where the room for democracy and good governance is missing.

Chapter 5: Conclusion and Recommendations

1. Summary

This study began with the assumption that NEPAD's strategic trade and investment partnership seems to be a realistic and beneficial project for the development of Africa. To test this hypothesis, the study has assessed whether NEPAD as a strategic partnership has been successful in changing the trade and investments context of Africa since its inception, to affect the economic growth and development of the region.

The central research question assessed the success of the liberal assumptions that underpin NEPAD. Within liberalism, aspects of international cooperation and economic interdependence helped explaining key concepts of NEPAD such as "mutual partnership", "mutual accountability" and "mutual responsibility." Based on these concepts, NEPAD assumes that Africa's development partners shall reward more resources for development to those African countries that would show strong commitment to good governance particularly through peer review mechanism.

This challenges dependency theorists who assume that NEPAD is over-ambitious to expect developed countries to transfer resources for development to Africa as a result of its resource mobilization strategy. In other words, while liberal theorists argue that NEPAD is a positive-sum game which could lead to positive outcomes, arguments from the dependency theorists suggest otherwise. The dependency school views NEPAD as rather an instrument to increase the overreliance of Africa on the developed world.

What was crucial in answering the central research question was the assessment of NEPAD's resource mobilization strategy which includes capital flows and market access initiatives. The CFI initiative involves issues related to FDI and ODA while the MAI comprises amongst other things the sensitive and overarching issue of agriculture. These were the variables used to test whether "mutual partnership" in trade and investment has been achieved between Africa and its developed partners. In terms of that partnership,

Africa as a whole was requested by its development partners, but also promised itself, to comply with democracy; good governance, peace and security in return for more FDI/ODA and for more access to their markets (e.g. trade in agriculture).

On the issues of “mutual accountability” and “mutual responsibility” the chapter moved from assessing relations between Africa as whole with its development partners to a country case study: Ghana. The rationale was to find out whether commitments to good governance in Ghana have led to more resources for development in the country from the developed world. Although good governance is a complex topic, the chapter picked up one component of DPG (enhance constitutional democracy, including periodical political competition and opportunity for choice, the rule of law, citizen’s rights, as entrenched in all African and international human rights instruments) and one from EGD (pursue transparency, effectiveness and predictability of government economic policies under the) to assess their impact on ODA.

2. Main findings

When assessing NEPAD’s success, one could measure two kinds of overlapping progress: (1) country’s ability to implement the NEPAD framework and (2) the realization of goals and objectives that the programme intends to promote. These goals include the promotion of democracy, good governance, peace and security on the one hand, and on the other hand, the achievement of market access and capital flows as outlined in NEPAD’s RMS.

NEPAD has indeed been successful because African countries are by and large implementing policies that are in conformity with the programme’s objective of democracy and good governance. These include openness to trade and investment through market-led policies, sound economic management, transparency, adherence to democracy and the rule of law...etc.

In other words, it has been found that good governance has improved in Africa after NEPAD and that the continent is more stable and more peaceful comparing to recent pre-NEPAD periods. This is evident from the adoption of the APRM in countries like Ghana and Rwanda to test and reaffirm such commitment. These countries have rebounded after a long period of ethnic conflict and political instabilities and are now serving as examples of leading lights of democracy and good governance in Africa. NEPAD should therefore take some credits for that.

To reiterate on the hypothesis of the study, it has also been found that good governance leads to more ODA. Indeed, Ghana's success has been the commitment to good governance. This holds true particularly of Rwanda which has accumulated more ODA flows for similar reasons. On the contrary, crisis in Zimbabwe has reaffirmed the counter argument that bad governance hinders resource transfer from the developed world to Africa. Therefore, where good governance reigns, "mutual accountability" and "mutual responsibility" are easy to be found whereas in the presence of bad governance, these goals became difficult to realize.

However, the assessment of NEPAD's goal of increasing capital flows and market access in Africa has produced mixed results. NEPAD's assumption holds true in terms of attracting more FDI into Africa comparing to ODA. The programme has also done little in terms of ameliorating patterns of agriculture between Africa and its developed partners. Likewise, NEPAD has been a success in Ghana and in Rwanda whilst economic situations in Zimbabwe have challenged the very existence of the country thus undermining the programme's vision to change the trade and investment context of the country.

Overall, NEPAD has done more good than harm in its race to mobilize more resource for development in Africa. Although Africa's share of global FDI and ODA still remains smaller comparing to other developing region, the programme has done a significant job in terms of filling the resource gap of Africa for development thanks to initiative such as improvement of the business climate of Africa through the promotion of good

governance agenda, the creation of PPP including the African Investment Initiative, the campaign against the perception of Africa as a high risk zone, and the promotion of market-led policy reforms in Africa. These initiatives reinforce the hypothesis that NEPAD is built upon a “mutual partnership” agreement with its development partners.

As far as agriculture is concerned, although African countries are not doing well in terms of accessing the market of their development partners, NEPAD’s focus on fixing up supply constraints in this sector including bridging the infrastructure gap has been a positive move not only to increase trade and development in Africa but also to attract more FDI. Therefore, projects such as the CAADP, STAP, and fund like the NEPAD-IPPF seem to be promising features of trade and investment and could in return ameliorate the long-term development of Africa.

Therefore, one can conclude that, NEPAD’s attempt to improve trade and investment flows to Africa is work in progress. However, the programme faces a number of challenges which if not dealt with will jeopardize its long-term vision. These challenges include the supply constraints facing the MAI, and debt cancellation as a common modality for ODA provision. Despite these challenge, NEPAD still remains an important instrument in improving the trade and investment climate of Africa and not a tool of dependency.

3. Policy Recommendations

NEPAD is currently the only Marshall Plan that Africa has and failure not to nourish this programme will harm development prospects in the entire continent. However, its success in mobilizing resources for development is overshadowed by the priority given to debt relief over more tangible targets such as budget support and investment in physical infrastructure. Although, debt relief is a crucial problem for many if not all African nations, debt cancellation should be balanced with high ODA for development and increased private investment.

The success of NEPAD depends on these concepts of “mutual partnership” “mutual accountability” and “mutual responsibility.” NEPAD’s developing partners hold the key of its success and should be the first to account for it. Therefore, to accelerate partnership, African countries need to fully implement NEPAD and translate it into domestic policies. They should for instance implement the CAADP framework to improve agricultural growth and market access.

Further than that, African countries have not done enough to speed up peer review process. NEPAD’s developing countries particularly those that have signed up the voluntary APRM should be peer reviewed to continue their commitments to it.

On the other hand, NEPAD’s developed partners should continue to honour their aid promises to Africa even at a time of crisis. For example, African countries should not be the victims of a crisis they did not cause. Africa is vulnerable of the current (2008-2009) global economic and financial slowdown. Therefore, crisis like this should not be an excuse for NEPAD’s developed economies to cut spending on development projects in Africa.

Finally, for it to be more developmental a project, NEPAD needs to focus on bottom-up policies or development from below. For example, it seems like ODA and FDI to Africa most likely benefit those industrialized African countries that have the infrastructural capacity needed to absorb such investments. Therefore, NEPAD’s relationship with its developed partners should talk more about the development of smaller countries and poorer nations in Africa.

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