IS THE STRUCTURE OF AFRICAN ECONOMIES NEPAD COMPLIANT?

BY
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INTRODUCTION

The New Partnership for Africa's Development (NEPAD) is a development initiative or plan introduced by African Heads of State in October 2001, out of their genuine concern about the poor state of economic, social and political affairs in Africa, and the need to reverse the declining fortunes of the continent. Through the Plan, African leaders have made a commitment to the African people and the world to work together, in partnership with development partners, to rebuild the continent, promote peace and stability, economic growth and people-centred sustainable development, eradicate poverty, and consolidate democracy and sound economic management on the continent. Very importantly, African leaders have pledged to hold each other accountable in terms of the agreements outlined in the NEPAD Programme.

African leaders have, in the NEPAD documents, displayed a great deal of conviction and optimism. But, perhaps, in the light of experiences with past initiatives and programmes, it will not be surprising if skepticism greets the new initiative. More importantly is the degree to which the structure of African economies is in agreement with the ideals of NEPAD. In other words, is the structure of African economies NEPAD compliant? Will the structural features of African economies enable or inhibit the attainment of NEPAD goals and objectives? These are the questions addressed in this paper. To this end, the paper is organized in five sections. Following this introduction is Section 2 which outlines the goals, principles and programmes of NEPAD. Section 3 examines the structure of African economies, while Section 4 discusses the degree of compliance of the economic structure with the tenets of NEPAD. The fifth section contains concluding remarks.

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2. GOALS, PRINCIPLES AND PROGRAMMES OF NEPAD

The New Partnership for Africa's Development (NEPAD) is a vision and programme of action for the redevelopment of the African continent. It is a comprehensive integrated development plan, conceived and developed by African leaders, that addresses key social, economic and political priorities in a coherent and balanced manner. The NEPAD framework of development is based on the human being as both the subject and object of development. NEPAD seeks to create the enabling environment that provides the required freedom for Africans to pursue the choices they make in life (Dongonyaro, Oct. 2002). In the documents, NEPAD is presented as a collective vision of African leaders to eradicate poverty and uplift the living standard of their peoples.

Indeed, NEPAD arose from the collective realization of the unacceptable economic and social situation in which the continent has found itself and from the desire to arrest and reverse the situation reflected by the following:

- low economic growth rates and poor performance/decline in almost all sectors; As the World Bank's World Development Indicators, 2002 has reported "Sub-Saharan Africa has been nearly stagnant, with less than 0.2 per cent annual growth over the same period (past 40 years) and declining growth rates. Fourteen major African countries had negative growth. Even such resource-rich economies as Ghana, Nigeria and Zambia, classified as lower-middle-income economies in the 1960s, have become considerably poorer, in some cases, because of political instability". Other factors, however, include poor economic policies and lack of capacity to reap from the benefits of globalization.
- poverty and backwardness which stand in stark contrast to the prosperity of the developed world; Africa remains the poorest continent despite being one of the most richly endowed regions of the world; Approximately 50 per cent of Africans are income-poor;

- poor social and economic conditions such that 340 million people, or half of the population, live on less than US$1.0 a day. The mortality rate of children under five years of age is 140 per 1000, and life expectancy at birth is only 54 years. Only 58 per cent of the population have access to safe water. The rate of literacy for people over 15 is 41 per cent, etc;
- heavy external debt burden. Sub-Saharan African (SSA) countries are among the most indebted of developing countries considering standard debt indicators and income levels. In the year 2000, the SSA's external debt stock stood at US$215.8 billion and out of 34 countries classified by the World Bank as severely indebted low-income countries, 28 are in Africa. African countries are thus not only among the poorest, they also suffer the biggest debt burden;
- the malaise of marginalisation and exclusion in a rapidly globalising world. While, for example, the exports of industrialized countries grew at over 7 per cent per
- annum in the last four decades, those of Africa, suffered a decline of about 1 per cent per annum within the same period. Besides, while the share of Asia in world manufactured exports grew from 16 to about 27 per cent, the African countries' share declined from 4 to less than 2 per cent (World Bank, 1997 and 2000). Africa's inability to participate effectively and profitably in the globalisation process derives from its lack of capacity, coupled with the structure of its production, trade and finance, as well as a number of structural impediments to growth and development in the form of debt burden, unfavourable terms of trade, rapid population growth, and failure of political leadership. Not to be underrated is the role of slavery, corruption and economic mismanagement in stalling the development of the continent.

NEPAD calls for a reversal of the above abnormal situation by changing the relationship which underpins it. This call derives from the realization of African leaders of the pressing need to eradicate poverty and

place their countries, both individually and collectively, on a path of sustainable growth and development, and at the same time participate actively in the world economy and body politic (NEPAD, Oct. 2001).

NEPAD is anchored on a number of basic principles, among which are the following:

- African ownership and leadership; on premising the development of the continent on the resources and resourcefulness of the African people; on accelerating and deepening regional and continental economic integration; and on building the competitiveness of African countries and the continent;
- a new relationship of partnerships between and among Africans and also with the international community to overcome the development chasm. Such partnership is to be based on mutual respect, dignity, shared responsibility and mutual accountability;
- making commitment to good governance, democracy and human rights, while endeavouring to prevent and resolve situations of conflicts and instability on the continent. These are efforts geared towards creating conditions for growth and development.

The NEPAD document acknowledges that the challenge for Africa is to achieve high growth rates and develop the capacity to sustain growth at levels required to achieve poverty reduction and sustainable development which in turn depends on other factors such as infrastructure, capital accumulation, human capital, institutions, structural diversification, competitiveness, health, and good stewardship of the environment. Accordingly, NEPAD is to give impetus to Africa's development by bridging existing gaps in priority sectors to enable the continent catch up with the developed parts of the world.

The specific objectives/goals of NEPAD are as follows:

(i) promotion of accelerated growth and sustainable development. To this end
   - the Initiative envisages that the continent will achieve and

sustain an average GDP growth rate of over 7 per cent per annum for the next 15 years;

- achieve the agreed Millennium Development Goals entailing reduction in the proportion of people living in extreme poverty by half, between 1990 and 2015; enrolling of all children of school age in primary schools by 2015; progress towards gender equality and empowering women; reduction of infant and child mortality ratios by two-thirds by 2015; reduction of maternal mortality ratios by three quarters by 2015; access for all those who need reproductive health services by 2015; and implementation of national strategies for sustainable development by 2005, so as to reverse the loss of environmental resources by 2015.

(ii) Eradication of widespread poverty in Africa, severe underdevelopment and acute income discrepancy between the rich and the poor and to place African countries, both individually and collectively, on a path of sustainable growth and development;

(iii) Promotion of the role of women in all activities; and

(iv) Halting of the marginalisation of Africa in the globalisation process.

In order to achieve the objectives/goals, NEPAD programmes emphasise the conditions for development and priorities for development as follows:

Pre-conditions for Sustainable Development

- Peace and Security Initiative
- Democracy and Political Governance Initiative
- Economic and Corporate Governance Initiative

The principles of peace, security, democracy, good governance, human rights and sound economic management are to be vigorously promoted as experience has shown that they are conditions for sustainable development.

Sectoral priorities

Bridging the infrastructure Gap

- Bridging the Digital Divide: Investing in Information and Communication Technologies
- Energy
- Transport
- Water and Sanitation

Human Resources Development Initiative, Including Reversing the Brain Drain

- Poverty Reduction
- Bridging the Education Gap
- Reversing the Brain Drain/Labour Export
- Health

Agriculture: Four strategic thrusts

- Extending the area under sustainable land management and reliable water control system s
- Improving rural infrastructure and market access
- Increasing food supply and reducing hunger/Combating food and agricultural emergencies
- Increasing agricultural productivity and sustainability (through R & D)

The Environment Initiative

- Combating Desertification
- Wetland Conservation
- Invasive Alien Species
- Coastal Management
- Global Warming
- Cross-border Conservation Area
- Environmental Governance
- Financing

Market Access

Multilateral and bilateral trade issues (WTO Doha development round;

Cotonou process and the issue of changing the current global trading architecture). Specifically, to accomplish the improved market access objective, strategies and actions have been outlined with respect to the following:

- diversification of production;
- agriculture;
- mining;
- manufacturing;
- tourism;
- services;
- promotion of the private sector;
- promotion of African exports; and
- removal of non-tariff barriers.

Culture
The programme is being developed.

Science and Technology
The programme development started in January 2003.

Resource Flows

- Domestic Resources covering private savings, public finance, export earnings, and financial/capital markets.

- External flows comprising foreign direct investment, portfolio (equity) flows, Official Development Assistance, debt remission and capital repatriation.

In recognition of the need to sequence and prioritise, four programmes are to be fast-tracked, namely:

- Communicable diseases: HIV/AIDS, malaria and tuberculosis;
- Information and communications technology;
- Debt reduction; and
- Market access.

Besides, a number of projects are considered by the NEPAD as crucial to the integrated regional development of Africa, among

which are:

- In the agricultural sector,
- expansion of the ambit and operation of the integrated action plan for land and water management in Africa;
- strengthening and refocusing the capacity of Africa's agricultural research and extension systems.
- promotion of the private sector through establishment of business incubators; and
- acceleration of the development of infrastructure in recognition of the fact that unless the issue of infrastructure development is addressed on a planned basis that is, linked to regional integrated development the renewal process of the continent will not take off. Accordingly, many energy, transport, telecommunications and water projects that are crucial to the continent's integrated development have been identified.

It is the conviction of the African leaders that the resources that are required to launch a global war on poverty and underdevelopment are within the continent's reach, even though "the bulk of the needed resources will have to be obtained from outside the continent" in the form of debt reduction, Overseas Development Assistance (ODA), and private capital inflow (NEPAD, Oct. 2001). Against the background of this optimism, the leaders felt that what is required to mobilize the resources, and use them properly, is bold and imaginative leadership that is genuinely committed to a sustained human development effort and the eradication of poverty, as well as a new global partnership based on shared responsibility and mutual interest.

Clearly, the NEPAD documents reflect adequate appreciation of the problems of African economies and propose programmes geared towards emancipating the continent from the throes of underdevelopment. The extent to which the structural problems will permit this is examined in section four, but before it, section three deals with structural issues.

3. THE STRUCTURE OF AFRICAN ECONOMIES

As earlier noted, the initiators of NEPAD aspire to make Africa to grow at an annual average rate of 7% up to 2015. However, to make this target attainable by the set date, Africa would have to fill an annual resource gap of 12 per cent of GDP or $64 billion or a cumulative amount of US$960 billion by 2015 (NEPAD, 2001).

Considering NEPAD's aspirations vis-à-vis the financial pre-requisites as well as the prevailing socio-economic and political conditions, the critical issue for targets attainment reduces to establishing a high degree of compliance between the structure of African economies and the NEPAD framework. It is therefore pertinent to first examine the structure of African economies, particularly in the areas of external trade, structure of output and growth, savings and investment, capital inflow and debt and public/private sector roles.

Table 1 presents the structure of African economies' output proxied by the GDP. It is apparent from this table that in 19 out of the 39 countries, agriculture (the primary sector) predominates in the contribution to the GDP, while manufacturing (the secondary sector) significantly lags behind, contributing less than 15% to the GDP in 28 countries. The theoretical implication of this structure is that African economies are still at the initial stages of economic development, about four decades into post independence era. Obadan (2003) uses this structure to explain why Africa remains poor and lags behind other regions, particularly in exploiting the benefits of its abundant resources for productive investment and the enhancement of the efficiency for facilitating the transfer of technologies. Associated with this output structure is the issue of the weak socio-economic conditions reflecting lack of domestic economic capacity and weak social infrastructure.

Arising from the above structure of production, many African countries depend heavily on primary commodities for the bulk of their export receipts, and this has often caused serious problems for economic management. This is because primary commodity prices tend to be volatile and are subject to long-term cycles as well as to short-term booms and busts. In 1997, primary commodities (food, agricultural raw materials, fuels, ores and metals, etc) accounted for 42 per cent of developing countries' total merchandise exports, compared with 19 per cent for high-income countries. In SSA, primary commodities accounted for about 75 per cent of total exports, and the share of commodities in the exports of individual countries often exceed 90 per cent (World Bank, 2000b: 104). Not only are African economies heavily dependent on primary commodities, most of them are also monocultural . Nigeria presents an extreme case with its dependence on one commodity crude oil for over 95 per cent earning and over 80 per cent for domestic revenue. Nine other countries derive more than 75 per cent of export earnings from one product, while seven others receive over 75 per cent of their export earnings from two products each. The two features of monoculture and concentration in primary commodity export have mutually interacted to hinder Africa's effective participation in the globalization process. Finally, as primary commodity exporters, African countries have yet to find solutions to the challenges posed by the following:

Table 1: Structure of Output in African Economies

Countries	Gross domestic product		Agriculture		Industry		Manufacturing		Services	
	$ millions		% of GDP		% of GDP		% of GDP		% of GDP	
	1990	2000	1990	2000	1990	2000	1990	2000	1990	2000
Angola	10260	8828	18	6	41	76	5	3	41	18
Benin	1845	2168	36	38	13	14	8	9	51	48
Burkina Faso	2765	2192	32	35	22	17	16	12	45	48
Burundi	1132	689	56	51	19	18	13	9	25	31
Cameroon	11152	8879	25	44	29	20	15	11	46	36
Chad	1739	1407	29	39	18	14	14	11	53	47
Congo Dem. Rep.	9348	5584	30	..	28	..	11	..	42	..
Congo Rep.	2799	3215	13	5	41	71	8	3	46	24
Cote d'Ivoire	10796	9370	32	29	23	32	21	19	44	48
Eritrea	437	608	29	17	19	29	13	15	52	54
Ethiopia	6842	6391	49	52	13	11	8	7	38	37
Gabon	5952	4932	7	6	43	53	6	4	50	40
Gambia	317	422	29	38	13	13	7	5	58	49
Ghana	5886	5190	45	35	17	25	10	9	38	39
Guinea	2818	3012	24	24	33	37	5	4	43	39
Guinea-Bissau	244	215	61	59	19	12	8	10	21	29
Kenya	8533	10357	29	20	19	19	12	13	52	61

Lesotho	615	899	24	17	33	44	14	16	43	39
Liberia	..	..	..	..	..	..	..	..	..	..
Madagascar	3081	3878	32	35	14	13	12	..	53	52
Malawi	1881	1697	45	42	29	19	19	14	26	39
Mali	2421	2298	46	46	16	17	9	4	39	37
Mauritania	1020	935	30	22	29	31	10	9	42	47
Mauritius	2648	4381	12	6	32	32	24	24	56	62
Mozambique	2463	3754	37	24	18	25	10	13	44	50
Namibia	2530	3479	11	11	35	28	13	11	54	61
Niger	2481	1826	15	16	16	18	7	7	49	44
Nigeria	28472	41085	13	16	41	46	6	4	26	25
Rwanda	2584	1794	33	44	25	21	19	12	42	35
Senegal	5698	4371	20	18	19	27	13	18	61	55
Sierra Leone	897	636	47	47	20	30	4	5	33	23
South Africa	111997	125887	5	3	40	31	24	19	55	66
Sudan	13167	11516	..	37	..	18	..	9	..	45
Tanzania	4259	9027	46	45	18	16	9	7	36	39
Togo	1628	1219	34	38	23	22	10	10	44	40
Uganda	4304	6170	57	42	11	19	6	9	32	38
Zambia	3288	2911	21	27	51	24	36	13	28	49
Zimbabwe	8784	7392	16	18	33	25	23	16	50	57

Source:- World Bank, World Economic Indicators, 2002

- Volatility of primary commodity prices;
- Secular decline in commodity prices and terms of trade; and
- High income elasticity of demand for African exports in relation to supply which is price elastic.

Instructively, the World Bank's World Development Indicators, 2002, suggest one notable option, namely, integrating with the world economy through manufactured exports. According to the Report, low-income developing countries, which have switched from exporting primary commodities to exporting manufactures have good prospects for growth and poverty reduction. Indeed, "between mid-1970s and 1998, manufactures (of the low-income developing countries) increased from 25 per cent of their exports to more than 80 per cent. And per capita incomes in developing countries increased by about 5 per cent a year in the 1990s, with the number of poor people declining by 125 million between 1990 and 1999" (World Bank, 2002: 325).

The corollary of Africa's heavy dependence on primary commodity exports is the insignificant nature of manufactured exports. Africa currently accounts for less than 3 per cent of the world trade in manufactures and slightly less in services approximately less than half of its 1980 level (Sachs and Sievers, 1999: 15). Yet, manufactured exports have been key to the effective participation of the countries in East Asia in the globalization process and the spectacular growth rates and poverty reduction levels achieved. Manufactured export-oriented growth was an important part of the strategy that made dramatic inroads into income poverty in East Asia. In 1975, some 57 per cent of their population was in poverty. By the mid 1990s, after two decades or more of rapid export growth, their headcount rate of poverty was 21 per cent (U.K DFID, 2000: 20). Therefore, in the current era of globalization, the African economies need to be diversified by using modern technology to create high-value-added goods and services sold to the world market.

However, even though African countries have the advantage of low real wage levels compared to most other regions including Asia, their manufacturing has been uncompetitive internationally. And so, the continent has continued to miss out on the process of labour intensive manufactured exports that has been an important engine of development elsewhere. The policy environment along with institutional factors have not been favourable to manufactured exports in relation to other types. In other words, the national business climate has not promoted a high level of competitiveness of African economies, while many other factors raise transactions costs and inhibit manufactured exports. Some of the inhibiting factors to African competitiveness and manufactured exports that need to be addressed include:

- High tax rates and numerous regulations;
- Infrastructure failings, reflected in poor roads and rail networks, epileptic power supply, inadequate and chaotic telecommunications system, inadequate water supply, etc;
- High level of corruption and inflation which increase the cost of doing business and uncompetitiveness, respectively. Businesses consider bribery to get things done as a tax;
- Policy instability and political instability.

Under these circumstances, even an efficient manufacturing activity tends to have a low ratio of value added to product price.

Gross output less consumption yields savings which finance the investment needed for growth. Yet, savings in Africa are the lowest among the regions of the world. The SSA has the lowest savings rate and lowest pool of savings with the ratio of gross domestic savings to GDP being 16 and 17 per cent in 1990 and 2000, respectively. The Middle East and North Africa sub-region have performed much better with saving rates of 23 and 30 per cent in 1990 and 2000, respectively. Investment is significant to an economy in the same way as blood is significant to the human body. It provides a basis for economic growth and poverty

reduction. Yet, investment ratios are far lower in Africa than in other regions. For example, over the 1993-97 period investment as a percentage of GDP averaged 19.5 per cent in Africa, compared to 26.9 per cent for all developing countries, 32.6 per cent in Asia, and 23.5 per cent in Europe. Considering the SSA countries, the average gross domestic investment in those countries relative to their income (15 per cent in 1990 and 17 per cent in 2000), has been lower than the corresponding average for all developing countries, and especially for the East Asian countries since the 1990s. Under the circumstances of low savings and investment in SSA, it is hardly surprising that growth rates have been low, the pace of integration into the world economy slow, and the incidence of poverty very high.

Domestically mobilized savings should provide the most important source of investment in Africa and other developing countries. But as many countries cannot save enough from their own output to finance investment, they must tap into foreign savings provided by lenders or investors. In other words, foreign private capital inflows can provide an important source of investment contributing to faster economic growth. But for this to happen, the investment climate must improve with good economic governance, control of corruption, well-functioning institutions, and sound infrastructure.

Economically, the financial flows into the continent include Official Development Assistance (ODA), portfolio equity flows, foreign direct investment (FDI), etc. The World Bank (2000b) reveals that portfolio equity flows peaked at about $46 billion in 1996. It persistently declined thereafter to about $33 billion in 1997 and further below in subsequent years due to the Asian financial crisis. Additionally, the World Bank Report shows that private capital flows have grown to be dominant at above 80% of total since 1996. Within this frame, non-bank financial institutions have assumed a new importance with the growth of non-debt financial institutions in cross border flows (World Bank, 2000b). The consequences of these are:

(a) FDI which grew at about 24% within the 1986/90 period declined to about 17% within the 1991/99 period.

b) Annual FDI flows which was about $28 billion in the 1970s increased rapidly to about $243 billion within the 1991/99 period.

(c) Africa's share of this FDI flows was just 1.4% of the global flows suggesting a negligible share (Saul, 2000; World Bank, 2000b). Tables 2 and 3, respectively, present data on:

(a) the realities of trade and output growth in Africa and the World; and

(b) the emerging indicators of global economic integration in sub-Saharan Africa.

It is important to note that most African countries have embraced the liberalization policy especially in their trade regimes since the mid-1980s in the context of the World Bank/IMF endorsed structural adjustment programmes. Such countries' economies are, therefore, relatively open as apparent in their exports/GDP ratios when compared with those of the advanced economies or Asian economies (Table 2).

In spite of this openness, Sachs and Sievers (1999) show that Africa's share in global trade declined from 3% in 1960 to less than 2% in 1999. This reflection of low level participation in the globalization process is further confirmed by the economic indicators in Table 3. It is apparent from this Table for the 1990-2000 period that:

(a) trade ratios declined in 16 out of 38 African countries and those that did not decline are relatively low;

(b) the gross private capital/GDP ratios and the gross FDI/GDP ratios are also relatively low, excepting for a few countries such as Angola, Lesotho, Gabon, and Mauritius.

Indeed, within the 1990/98 period, East Asia (43.1%), Latin America (35.6%) and the Caribbean (35.6%) dominated the global private capital flows. Sub-Saharan African, and Middle-East and North Africa accounted

for only 2.4 and 1.9 per cent of global capital flows, respectively. These regions have very little access to private capital inflows, reflecting the detrimental effect of a high debt burden on private flows, small domestic market, and/or unfavourable economic and business environment worsened by the existence of long periods of non-democratic governments in many African countries. Countries in Africa have thus continued to rely mainly on official sources of development finance, which have been on the decline, both in nominal and real terms, particularly Official Development Assistance (ODA). The drop in aid flows in real terms, in the 1990s, was such that by 2000, the amount of aid stood at more than 10 per cent below the 1990 level. Expressed as a share of donor's gross national product, aid fell from 0.33 per cent in 1990 to 0.22 percent in 2000. Only five donor countries reached (or surpassed) the U.N's target of 0.7 per cent of GNP endorsed by the Group of Seven (G-7) countries in 1992.

Budgetary pressures in donor countries and aid fatigue have continued to limit the availability of ODA.

In SSA, the decline in aid flows to the region in recent years has been attributed to delays in implementing reform in some countries. Of course, there has been increased concern about the apparent lack of effectiveness of aid. Nevertheless, official aid remained the main source of foreign resource inflows in 2001. Indeed, SSA accounts for the highest share of aid flows to all developing countries (27.3 per cent in 2000). This trend needs to change in favour of private capital flows particularly foreign direct investment which has proved to be more stable than other forms of private sector finance. Besides, FDI contributes to productivity by facilitating the transfer of technology, management techniques, and information about export markets.

But then, something must be done to the economic and business environment/climate in SSA which has tended to be deterrent to capital inflow with its characteristic features of high external debt burden, macroeconomic instability, inconsistent and conflicting policies, political

instability, ethnic conflicts and civil strife, insecurity of lives and property in a number of countries and uncertainty that plagues decision-making, weak institutional and physical infrastructure, non-transparent rules and regulations, weak human capital development, and poor governance, particularly pervasive corruption

Table 2: Africa and the World: Trade and Output Growth

Period	Exported GDP Ratio (%)				Real GDP Growth Rates (%)			
	World	Africa	Developing Countries	Asia	World	Africa	Developing Countries	Asia
1980	16.7	27	20.7	10.8	2.3	3.2	4.4	5.8
1990	15	22.9	15.8	15.1	2.5	1.6	3.7	5.4
1995	17.4	24.5	18.5	20.4	3.6	3.1	6.1	9
1996	17.8	25.8	18.8	19.9	4.1	5.7	6.5	8.5
1997	18.5	25.8	19.2	21.2	4.1	2.8	5.7	6.5
1998	18.2	23.1	18.2	21.9	2.6	3.1	3.5	4.1
1999	18.1	24.8	19.9	21.7	3.4	2.2	3.8	5.9
2000	19.1	29.9	21.8	22.8	4.7	3.4	5.6	6.7

Source: IMF. World Economic Outlook (Various Issues)

Table 3:
Indicators of Global Economic Integration in Sub-Saharan African Countries

Countries	Trade in Goods				Changes in Trade as shares of GDP	Growth in real trade less growth in real GDP % points	Gross Private Capital Flows Gross FDI			
	% of GDP		% of goods GDP				% point	% GDP		% of GDP
	1990	2000	1990	2000	1980-1999	1990-2000	1990-2000	1990	2000	
Angola	53.5	127.5	91	155.9			10.1	44.9	3.3	39.9
Benin	30	45.1	60.8	86	-44.2	-2.1	10.7	13.4	3.7	2.8
Burkina Faso	24.9	35.3	44.4	67.3	-25.5	-3.8	1.1		0	
Burundi	27	28.6	35.1	38.6	26.8	6	3.7	6.4	0.1	1.7
Cameroon	30.5	36.5	55.4	56.1	56.4	2.3	15.5		1.1	
Central African Rep.	18.4	29.1	26.4	37.9			2.2		0.5	
Chad	27.2	33.6	54.9	61.6	-29.4	-4.3	5.6		0	
Congo Dem. Rep.	20.2	14.7	34.6		38.2	-3.6				
Congo Rep.	57.2	105.4	107	138.5	10.9	6	6.6		0	
Cote d'Ivoire	47.9	75.9	86	147.1	38.8	1	3.5	6.5	0.4	2.5
Eritrea						0				
Ethiopia	20.2		31.3			2.7	2	3.4	0	
Gabon	52.5	88.8	97.7		2.8	-1.7	18	24.5	8.4	14.5
The Gambia	75.4	49.1	146.7	81.6	-34.7	-2.7	0.9		0	
Ghana	35.7	91.4	58	150.6	-1.3	6.9	2.7	4.5	0.3	2.1
Guinea	26.3	40.2	45.5	64.1		-1.4	3.9	4	0.6	1.8

Table 3: Indicators of Global Economic Integration in Sub-Saharan African Countries

Countries	Trade in Goods				Changes in Trade as shares of GDP	Growth in real trade less growth in real GDP % points	Gross Private Capital Flows Gross FDI			
	% of GDP		% of goods GDP				% point	% GDP		% of GDP
	1990	2000	1990	2000	1980-1999	1990-2000	1990-2000	1990	2000	
Guinea-Bissau	55.7	83.5	69.1	83.9	-27.9	2.6	10.1	1.3	0	
Kenya	37	46.7	66.4	97.9	-9.1	2.2	10.7	6.6	0.7	1.1
Lesotho	118.8	100.1	185	155.9	0.9	-1.4	1.1	15.6	2.7	12.9
Madagascar	28.9	24.8	43.6		-25.1	2.8	3.7	5	0.7	2.1
Malawi	53.1	55.4	71	86.4	-32.4	-2.8	15.5		0	
Mali	40.4	54	64.5	83.2	125.5	1.2	2.2		0.2	
Mauritania	84.1	68.5	134	119.4	-25.5	-2.5	5.6	40.6	0.7	0
Mauritius	106.4	81.6	200.3	180	32.6	0.3		26.2	1.6	6.4
Mozambique	40.8	35.6	68.9	66.7		0.8	6.6	15.6	0.4	3.7
Namibia	88.9	85.2	174.4	165.8		1.4	3.5	11.4	4.7	3.6
Niger	27	40.3	49.9	68.6	46.9	-2.5			1.6	
Nigeria	67.8	80.3	91.2	105.3	-39.9	2.1	2	13	2.1	2.9
Rwanda	15.4	14.8	26	22	97.7	2.6	18	2	0.3	0.8
Senegal	34.7	56.8	90	128.4	-21	-1.3	0.9	8.8	1.3	4
Sierra Leone	32	25.5	46	32.4	-62.6	-5.5	2.7		3.6	
South Africa	37.5	47.4	75.2	104.3	23.2	4.2	3.9	13.1	0.2	1.2
Sudan	7.5	28.7		50.7	-32.2		0.3	4.6	0	3.4
Tanzania	33.9	24.2	50.8	37.9		-1.8	0.2	3.3	0	2.1
Togo	52.1	73	92.6	122	-22.3	-1.1	9.6	12.6	1.1	4.2
Uganda	8.4	32.9	12	51.1		7	1.1	5	0	3.5
Zambia	76.9	54.3	102.3	97	-45.1	2.9	64.7		6.2	
Zimbabwe	40.9	44.9	74.5	85.5	139.6	6.1	1.7		0.1	

Source: *World Bank.World Economic Indicators, 2002*

4. THE STRUCTURE OF AFRICAN ECONOMIES AND NEPAD

Against the background of the current pressing socio-economic problems, NEPAD aims to achieve accelerated growth and sustainable development, the agreed Millennium Development Goals, eradication of widespread poverty, and halt the marginalisation of Africa in the globalisation process. The present structure of African economies is not sufficiently enabling for the set goals to be accomplished. An economic structure characterized by primary production, low share of world trade, low manufactured output and exports, low savings and investment, dominance of ODA and low private capital inflow, rapid population growth, dominance of public sector vis-à-vis a weak private sector, heavy external debt burden, etc, cannot generate sufficient growth to make a meaningful dent on poverty and enhance the benefits of the continent from the globalization process. Indeed, as Garba (2003:16) has also observed, "the data on the growth trend of Africa do not indicate that African countries can grow at 7%. For instance, in 1975-98, the average annual growth for a majority of African countries including South Africa and Nigeria was negative. A GDP growth of above 7% is, therefore, inconsistent with trend". He, however, agrees that it is possible that the conditions could change and the programmes and projects of NEPAD would have greater rates of returns than those of multilateral development organisations.

Nevertheless, for the structure of African economies to be in agreement with the laudable goals and directions of NEPAD, some fundamental challenges need to be addressed.

(i) Redefined role of the State and developing a national capacity for production and export through private sector development. For a long time, the strategy of public sector-led development held sway in most African countries. In line with this strategy, the state had veered away from its traditional role to deep involvement in directly productive activities and commercial services. But the monumental failures of most of the state-owned enterprises are now well known. In the era of globalisation with its logic of market orientation there is no room for the

dominance of the state in directly productive activities. State intervention is desired in areas of market failure and those where the government can serve as a catalyst. Generally, the private sector needs to be encouraged to play the leading role in trade and investment which provide the crucial means for effective participation in the globalization process, while the state provides an enabling environment for the sector to fulfill this role. As successful trade reform and export performance need a dynamic private sector made up of a critical mass of competitive entrepreneurial firms, the state must actively support and help to create a positive environment for the development and renewal of entrepreneurship.

(ii) Building a Strong Public-Private Partnership. This type of partnership helped Japanese businesses to dominate the world markets within a relatively short period of time. Moreover western businesses have used the partnership model, in terms of working closely with their governments, to win contracts and buy foreign assets in the developing world, particularly in the context of deregulation and privatization of industries (Kiggundu, 2002). The general advantages of the private-public partnership approach include the following:

- provision of an institutionalized arrangement for bringing together leaders from different segments of the society to develop common understanding, shared values, mutual respect and trust;
- it provides opportunities for joint deliberations of public policy analysis that result in broad-based public policies acceptable to the wider society;
- it can provide practical solutions for eliminating impediments to competitiveness, supporting productivity improvements and promoting international trade;
- the partnership can facilitate joint action planning and joint resource mobilization. By working together a government can assist the private sector in obtaining capital through

- loans, grants, concessions, contracts, taxes, subsidies and various' forms of guarantee; and
- it can be quite useful in times of national crises or emergencies.

(iii) The need to develop a strong production base predicated on value added products in relation to the currently low and undiversified production base. This also implies the need to diversify export structures away from primary products reinforced by the development of manufactured export capability and non-reliance on natural resources/commodities as key exports. Dependence on primary commodity exports cannot significantly aid Africa's integration with the global economy nor minimize its marginalization, even though most of the economies are relatively open. The development of African economies will therefore require a major commitment to policies and institutions that promote manufactured exports in areas of comparative advantage. In this respect, the support of the industrial countries is required. They need to open their markets, through removal of tariff and non-tariff barriers, for easy access to the products of interest to African countries.

(iv) Raising the levels of domestic savings and investment. If Africa must realise the growth rates that will enable it to achieve the Millennium Development Goals and other goals of NEPAD, then domestic savings and investment rates must be raised substantially beyond what they currently are. The raising of private saving and improving its allocation can be realized through measures aimed at achieving macroeconomic stability, removing distortions in financial markets, having appropriate interest rate policies, eliminating tax disincentives, and fostering a climate of confidence and stability. Also important is the maintenance of funded pension schemes. An appropriate environment, characterized by sound and stable macroeconomic policies and adequate infrastructure is imperative for high quality local and foreign investment. The NEPAD document acknowledges that unless the issue of infrastructure is addressed on a planned basis that

is, linked to regional integrated development the renewal process of the continent will not take off.

(v) Foreign direct investment inflow and not ODA. Tapping into foreign savings is a notable source of augmenting low level of domestic savings, and hence generating the desired growth. To fill the identified resource gap, the NEPAD expects the bulk of the needed resources from outside the continent, particularly in the form of ODA and debt relief. For well known reasons, these two sources cannot be relied upon to finance the programmes of NEPAD. And as Garba (2003: 16) has rightly observed: it is unlikely that such expectations (of large inflow of external aid) benefit from the experience of the last forty years of "development finance" or those of such proposals as HIPC. It is instructive that the reform of the industry of AIDS proposed in the CA is to make the flow of AIDS more difficult. With the deepening of the failures of state and market, capacity gaps, poverty and social, economic and political tensions in Africa, the chances of net inflows of private capital are, at best, uncertain.

Nevertheless, with a determination to succeed, policy must focus on encouraging and attracting long-term capital inflows, particularly FDI, with all the associated advantages of technology transfer and know-how, among others. But then, as was noted before, with the poor investment climate and widely held perception that it is difficult to do business in Africa, a lot needs to be done to create secure and enabling economic environments, without which domestic and foreign investors will continue to shy away from the many profitable business opportunities that Africa offers. Undesirable features of the investment environment that must be tackled include, macroeconomic instability, insufficient market size, poor infrastructure, political uncertainty, corruption, and inappropriate policy regimes towards foreign investment.

(vi) Debt relief. This is one of the two major sources of funding the resource gap envisaged by NEPAD. Debt relief is to be sought through debt service ceilings fixed as a proportion of fiscal revenue,

and engagement of countries with existing debt relief mechanisms such as the World Bank/IMF HIPC and the Paris Club's rescheduling. Rescheduling has been known to compound the debt problem/burden, while the enhanced HIPC, although marks a significant improvement over HIPC1, is not a panacea to the debt problems of African and other heavily indebted countries. These countries need to address the underlying problems that cause the debt problems in the first place, and use debt relief proceeds to create the basis for sustained growth and poverty reduction. Very importantly, there is the need to negotiate for outright and unconditional cancellation of a large portion of the debts. This should be seen as a necessary antidote to the strangulating debt overhang that has been the bane of the heavily indebted poor countries.

(vii) Challenge of Population Control. High population growth is not something that bothers some African countries. But in the situation where population growth exceeds output growth such that per capita income growth is negative, uncontrolled population should be a source of concern. The population of SSA increased from 381.7 million in 1980 to 658.9 million in 2000, reflecting an annual average growth rate of 2.7 per cent. This growth rate was higher than those for other regions in the world, for example, 0.7 per cent for high income countries and 2.1 per cent for low income countries. Only the population growth of Middle East and North Africa at 2.6 per cent was close to that of SSA. In some individual countries population growth rates are in the range of 3 4 per cent. Under these circumstances, only very high economic growth rates may not be swallowed by high population growth rates. An active population control policy is thus indispensable, if population is not to continue to serve as a drag on development.

(viii) Addressing the Problems of Governance and Civil Strife. For Africa to take full advantage of the benefits to be derived from the NEPAD Programme, improved policies and highly strengthened institutions

are crucial. But these need to be complemented by good governance in terms of establishing greater transparency and accountability in public and private sectors, as well as tackling corruption and inefficiency in the management of public affairs. Besides, the need to put an end to civil strife in the continent cannot be overemphasized, for as Ouattara (1998: 4) has correctly observed "even if the right economic policies are implemented, no progress will be possible if armed conflicts persist". African countries, therefore, need to focus their efforts on resolving ongoing disputes and devising effective mechanisms of conflict resolution.

5. CONCLUSION

Considering the present structure and initial conditions of African economies, the development experience of the past forty years, the NEPAD goals, as reflected in the growth, poverty reduction and other development targets, appear overly optimistic.

The expectations of huge financing of NEPAD programmes from external sources do not appear to take cognizance of experiences with development finance over the past forty years. ODA on which Africa has depended so much has been declining, besides its doubtful impact on growth. Moreover, the African economic and business environment has not been enabling to private capital inflows, especially foreign direct investment that can aid growth significantly. Very importantly, too, the structure of African countries' production and export is inconsistent with beneficial participation in the globalisation process. Not only is Africa's share of world trade low, manufactured exports are very insignificant. Yet, manufactured exports have been the engine of development elsewhere and the basis for significant benefits from globalisation and poverty reduction.

However, if the political will for good economic governance is there, coupled with commitment to development, the desired reforms and changes in the structure of African economies can be effected in order to achieve the objectives of NEPAD.

Essentially, if the NEPAD goals/targets are to mean much, in terms of attainment, then the structure of African economies has to change radically so as to accommodate high savings and investment, modern technology, significant manufactured exports, FDI inflows, developed infrastructure, high private sector activity, etc all of which can accelerate the growth rates and poverty reduction.

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