

**THE ROLE OF THE AFRICAN UNION AS A VEHICLE FOR
INVESTMENT INITIATIVES AND REGIONAL COOPERATION: A
CRITICAL OVERVIEW OF THE NEW PARTNERSHIP FOR AFRICA'S
DEVELOPMENT (NEPAD)**

by

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Abstract

Africa is facing many challenges which range from underdevelopment to high poverty levels. Although Africa is richly endowed with natural resources, the continent continues to be a source of raw material for the North. This state of affairs cannot be allowed to continue indefinitely. The high level of debt owed to multilateral organisations compounds the challenge by limiting investment inflows.

Through the New Partnership for Africa's Development (NEPAD), the African Union (AU) has the potential to stimulate growth and development on the continent in pursuit of the attainment of the Millennium Development Goals (MDGs). Undoubtedly, the African Union's NEPAD faces many challenges itself. The benefits of the multilateral trade regime will only become freely available if factors such as the negative multiplier effects associated with the accomplishment of the ideal of African integration and market access, could be mitigated.

The success of NEPAD is not a given for Africa and necessitates visionary leadership. It has to be earned and as a matter of course will involve some sacrifices. Africa will have to mobilise intra-continental investment to leverage Foreign Direct Investment (FDI).

The point of departure of this research study is that the NEPAD initiative is an African programme which must be led by Africans themselves, especially the intelligentsia. The Africans in the diaspora also constitute a valuable source of capacity to implement NEPAD.

NEPAD promotes the participation of Africa in global affairs in pursuit of the African Renaissance. It is imperative that the architects of NEPAD listen to the concerns being raised by its opponents and continuously engage the Civil Society Organisations (CSOs) and the intended

beneficiary society. It should be noted that the private sector can partner with governments in supporting the objectives of NEPAD.

There is a need to harmonise policies of different AU member states to give effect to regional cooperation and integration. Regional integration can enhance the mobilisation of resources through economies of scale that will position Africa to penetrate global markets and to attract direct foreign investment. Globalisation itself should not be viewed as a threat, but as presenting new economic challenges and potential opportunities for regional integration.

It is time that the Africans their own agenda within Africa. Africans must rise jointly to this occasion and emancipate themselves from dependence associated with underdevelopment and poverty. Africa has the potential and the capacity to succeed through the effective implementation of NEPAD. The time for Africa is now.

Statement of Originality

I hereby state that this is my original work both in form and content and that wherever I have referred to the work of other authors, that has been duly acknowledged.

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Acronyms and Abbreviations

- ACP:** Africa Caribbean Pacific Countries
- ADB:** African Development Bank
- AEC:** African Economic Community
- ADF:** African Development Forum
- AGOA:** Africa Growth and Opportunity Act
- APR:** African Peer Review
- APRM:** African Peer Review Mechanism
- AU:** African Union
- CEN-SAD:** Community of Sahel-Saharan States
- COMESA:** Common Market for Eastern and Southern Africa
- CSOs:** Civil Society Organisations
- CSSDCA:** Conference on Security, Stability, Development and Cooperation in Africa
- DRC:** Democratic Republic of Congo
- EC:** European Commission
- ECA:** Economic Commission for Africa
- ECCAS:** Economic Community of Central African States
- ECOSOCC:** Economic, Social and Cultural Council
- ECOWAS:** Economic Community of West African States
- EU:** European Union
- FDI:** Foreign Direct Investment
- FTA:** Free Trade Area
- GAAP:** Generally Accepted Accounting Practice
- GDP:** Gross Domestic Product
- GNP:** Gross National Product
- GSP:** Generalised System of Preferences
- HIPC:** Heavily Indebted Poor Countries
- HIV/AIDS:** Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome
- HSGIC:** Heads of State and Government Implementation Committee

ICT: Information and Communications Technology
IGAD: Inter-governmental Authority on Development
IMF: International Monetary Fund
IOM: International Organisation for Migration
JPOI: Johannesburg Plan of Implementation
LDCs: Least Development Countries
LPA: Lagos Plan of Action
MDGs: Millennium Development Goals
MIDA: Migration for Development in Africa
MNEs: Multinational Enterprises
MoU: Memorandum of Understanding
NAI: New Africa Initiative
NEPAD: New Partnership for Africa's Development
NGO: Non-Governmental Organisation
NPV: Net Present Value
OAU: Organisation of African Unity
ODA: Official Development Assistance
OTJ: On-the-job Training
PAP: Pan-African Parliament
PEP: Panel of Eminent Persons
PPP: Public Private Partnership
PSC: Peace and Security Council
RECs: Regional Economic Communities
RISDP: Regional Indicative Strategic Development Plan
ROI: Return on Investment
S&T: Science and Technology
SACU: Southern African Customs Union
SADC: Southern African Development Community
SADCC: Southern African Development Coordinating Conference
SMMEs: Small, Medium and Micro Enterprises
SSA: Sub Saharan Africa
TDCA: Trade Development Cooperation Agreement

TPSC: Trade Policy Staff Committee

UK: United Kingdom

UMA: Union du Maghreb Arabe

UN: United Nations

UNECA: United Nations Economic Commission for Africa

VFM: Value For Money

WB: World Bank

WHO: World Health Organisation

WSSD: World Summit on Sustainable Development

WTO: World Trade Organisation

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CHAPTER 1: BACKGROUND TO THE AFRICAN UNION (AU) AND THE NEW PARTNERSHIP FOR AFRICA'S DEVELOPMENT (NEPAD)

1.1 Introduction and historical background to NEPAD

Africa is richly endowed with natural resources and these can be applied to alleviate the problems of poverty on the continent. This study seeks to place emphasis on the Organisation of African Unity (OAU) as the predecessor to the African Union (AU): its administrative functioning, its objective of regional cooperation and integration and its strategic and dynamic programme - the New Partnership for Africa's Development (NEPAD). In order to achieve the social and economic regeneration and development of the continent, the pre-eminent issue of poverty alleviation, through sustained people-centred development, must be vigorously pursued, so as to provide improved quality of life for Africa and all her people. The engines for poverty alleviation and people-centred development are the economic growth and development of the continent.

In pursuit of economic development by African countries themselves, the then OAU was established through a Treaty called the African Economic Community (AEC). This was evidence of the realisation that the heroic struggles waged by the people of Africa for political independence and human dignity can only be complete if coupled with economic emancipation. Since its inception, the OAU has played a determining and invaluable role in the liberation of the continent, the affirmation of a common identity and progress towards unity of the continent. The OAU sought to foster unity among African states, since all people on the continent seek democracy, good governance, recognition of human rights, peace and stability, and the eradication of corruption. To achieve this, Africans must have a common purpose and speak in one voice (Makgoba, 1999:168).

In terms of Article II (1) (a) of the OAU Charter, the objectives of the OAU were, among others, to promote unity and solidarity of African States. Although the OAU usually confined itself to providing moral, political and financial aid, it did recognise the legitimacy of the armed struggle (Naldi, 1999:19).

The transition and relationship among countries within the OAU, which later became the AU, is governed by certain rules of procedure which, in most instances, are informed and influenced by legislation in the member states. Legislation refers to a particular set of characteristics that institutions may or may not possess. These characteristics are defined along three dimensions: obligation, precision and delegation. Obligation means that states and other actors are bound by a rule of commitment, in the sense that their behaviour is subject to sensitivity under general rules, procedures and disclosure of international law (Goldstein, Kahler, Keohane & Slaughter, 2001:17).

If Africa is to survive in an interdependent world, it must have the necessary means, in terms of indigenous technical and institutional capacity, to do so. African development must be defined by Africans themselves. The New Partnership is about consolidating and accelerating these gains. It is a call for a new relationship or partnership between Africa and the international community, especially the highly industrialised countries, to overcome the development chasm that has widened over centuries of unequal relations (Mbeki, 2002:151).

Interdependence cannot be avoided and has to be managed on the basis of mutual respect. Neither African countries nor any other country should be subservient to it. An independent and indigenous capacity must be developed that will permit management to take place in such a way as to

preserve, as far as possible, the unique development aspirations of African countries (Kwapong & Lesser, 1992:60).

As a requirement for development, African politicians have for many years called for unity among Africans, by presenting political and economic arguments in its favour. This cannot continue much longer. Hard thought and detailed negotiations need to replace slogans if the objectives of African Unity are to be attained (Maloka, 2001:1).

In the light of the AU vision of a common future within a regional community and its mission to promote sustainable and equitable economic growth and socio-economic development, the ultimate objective of the New Partnership for Africa's Development (NEPAD) is to deepen the integration agenda of Africa (NEPAD, 2001:15). Africa has the potential to improve further on its management capacity. This is the challenge that faces NEPAD - to which African governments are strongly committed.

The level of population increase should be kept in check and economic growth pursued. Current trends of population growth in Africa are outstripping economic growth and therefore the resources of the continent are set to be put under even more strain. Africa, South of Sahara, consists of 47 countries, whose total 1992 population was estimated at 507 million. This population is expected to double by 2010, thereby reaching 1.7 billion (Hyden & Kates, 1993:3).

This poses an even further challenge to the NEPAD programme, namely to change this trend, and to ensure that Africa achieves the target of halving poverty by 2015. According to the President of the World Bank, Mr James D. Wolfensohn, the World Development goal is to "*halve the number of people living in poverty by 2015*" (World Bank Annual Report, 2001:3).

Such a goal is possible and achievable in the light of the very strong and committed African leadership. According to the World Bank Report (2000) titled *Can Africa Claim the 21st Century?*, macroeconomic and structural policies that encourage growth and employment are essential for any poverty reduction strategy. Raising the growth rates of African economies would enhance the consumption potential of the population, improve food consumption, raise nutrition levels and thereby reduce the number of the poor. It would also generate resources that could be used to increase spending on basic needs. More than 5% growth per year is required to prevent the number of poor rising, whereas meeting the International Development goals for 2015 will require growth of more than 7% per year (World Bank Report, 2000:99).

There is a proportional relationship between conflict and poverty. Conflict leads to even more poverty in real terms. Likewise, poverty contributes to conflict. Inadequate access to resources is one reason why excluded groups turn to violence. Therefore, peace and security on the one hand and sustainable development, improved governance and poverty alleviation on the other are symbiotically linked and feed each other. Poorer countries will require rich countries to provide funding to fight poverty (World Bank, 2002:3).

A stable Africa is crucial for realising growth and development. In recent times, there has been a concerted effort amongst several continental leaders to engage in developing durable solutions to bring peace and stability to the continent. Several countries that experienced high levels of instability and civil strife have moved towards democracy and good governance and are creating a peaceful and enabling environment for growth and development.

The improvement in conditions in Africa has been recognised by governments across the global community. The United Nations (UN)

Millennium Declaration, adopted in September 2000, confirmed the world community's readiness to support Africa's efforts to address the continent's challenges of underdevelopment and marginalisation. It is the opinion of the researcher that these perceived challenges of underdevelopment should be understood within the context of the colonization of Africa by the countries of the North.

NEPAD was inspired by the UN Millennium Declaration approved by 149 world leaders in September 2000, which called for a new partnership and a pledge to assist African countries in their struggle for lasting peace, poverty reduction, and sustainable development. The Declaration emphasized support for the prevention of conflict and the establishment of conditions of stability and democracy on the continent, as well as for the key challenges of poverty and disease eradication. The Declaration further pointed to the global community's commitment to enhancing resource flows to Africa, by improving aid, trade and debt relationships between Africa and the rest of the world, and by increasing private capital flows to the continent (NEPAD, 2001:10).

Despite the emerging commitment amongst Africans to reverse the perceptions of Africa as a continent plagued by strife and conflict, several African countries are still experiencing high levels of instability. Unfortunately, there is also a school of thought that some of the conflicts in Africa are externally propagated. The conflicts in Africa have forced the UN, in particular, to expand its efforts on preventative diplomacy (Naldi, 1999:7).

As one considers the challenges facing NEPAD, cognisance should be taken of the fact that African countries within the AU have different histories, geographical conditions and stages of economic development in setting public policies and patterns of internal and international interaction. It is therefore necessary to ensure that countries that are

ahead in terms of development, should support priority projects in lesser developed countries. Thus inter-governmental relations within the African Union (AU) must be understood within the context of sovereign countries existing within unique contexts and working together towards a common and shared mission and vision. No independent African state commenced its legislative, executive and judicial system on a clean slate. Various historical considerations shaped the composition of each state. Africa should opt for a development integration approach which recognises the political and economic diversities of integrating countries, including their diverse production structures, trade patterns, resource endowments, development priorities, institutional affiliations and resource allocation mechanisms. It should address many of the production, infrastructure and efficiency barriers arising from the underdevelopment of the continent. This approach has the advantage of complementing trade liberalisation with sustainable corrective measures, designed to cushion the least developed member countries against shocks arising from the removal of trade barriers. It further allows member states to define the scope and sectors of cooperation and to identify appropriate strategies and mechanisms to overcome impediments to integration and to address regional imbalances within member states. In this sense, the inter-governmental relations of a particular state are peculiar to that state. Therefore the structures, systems and relationships in one state cannot simply be transferred to another state (Thornhill, Malan, Odendaal, Mathebula, van Dijk & Mello, 2002:10).

The transition from the OAU to the AU reflects the continuation of Africa's own unwavering determination to deal with the legacy of colonialism and underdevelopment. In the opinion of the researcher, the transition to the AU also requires a greater degree of administrative capacity to ensure not only a smooth transition, but also to ascertain that the gains made by the OAU are not lost. The focus of the AU is on meeting the basic needs of the people with regard to socio-economic development, peace, security

and stability, the protection of human rights, democracy, good governance and the rule of law.

Investment flows and regional cooperation are important stimulants in this regard. However, there are two further pre-requisites for the success of social and economic development and regeneration in Africa. These are security and stability, which are indispensable for the conducive environment required for the implementation of NEPAD. There can be little sustained development and growth in conditions of instability and conflict.

The analysis of the background of NEPAD would be incomplete without reference to regional cooperation and integration. The role of the AU in promoting regional cooperation and mobilising support for the NEPAD programme is explored here within the context of Public Administration. Public officials are expected to advise politicians about decisions and policies to be developed, while they themselves are the implementers of policies that the governments of the AU formulate. In this sense, constant reference will be made to the discipline of Public Administration, without which the analysis would be insufficient. Sound public management is indispensable to the ultimate accomplishment of the NEPAD objectives.

To return to the New Partnership, there are important measures that have to be undertaken to mobilise the required resources to achieve better economic growth. To halve the incidence of poverty by the year 2015, high and sustained rates of growth should be achieved. Among other things, this will require increased domestic savings and better revenue collection (Mbeki, 2002:152).

Africa has a duty to radically align the structure and content of its political, economic and social relations with the rest of the world and adjust to the reality of globalisation. She needs to collectively promote policies that

capacitate her citizens, engender development and enable participation in the global arena.

The right of all people to access adequate food is recognised in international legislation as a moral imperative, as is the eradication of hunger. It also makes economic sense to eradicate hunger, for as long as people are undernourished, they cannot achieve their full potential: they remain prone to ill health, their learning ability is compromised and their capacity for productive work curtailed. Ill health due to chronic hunger has a negative impact on productivity and consequently has an adverse effect on the Gross Domestic Product (GDP) per capita. The need to improve the quality of life of all people is enshrined in the Charter of the United Nations. Article 55 of the UN Charter states **“with a view to the creation of conditions of stability and well-being which are necessary for peaceful and friendly relations among nations, based on respect for the principle of equal rights and self-determination of peoples, the United Nations shall promote higher standards of living, full employment, and conditions of economic and social progress and development”** (Charter of the United Nations, 1945). Africa should endeavour to accomplish this ideal.

The conceptualisation of the NEPAD programme was also necessitated by the need to eradicate hunger and starvation in Africa. The hungry are in real terms the poorest of the poor, and hence reducing hunger must be a priority towards the achievement of the Millennium Development Goal (MDG) to halve poverty by 2015. This is an important reference point for NEPAD. All African states must work towards the accomplishment of the target of reducing by half the number of people living in poverty (World Bank Report, 2003:2).

In order to address the above-mentioned challenge, the three presidents of Algeria, Nigeria and South Africa raised the issue of a partnership with

the leaders of the G-8 at their Summit in Japan during July 2000. The work on developing NEPAD (at that stage referred to as the Millennium Partnership for the African Recovery Programme (MAP)) then began in earnest and a process of engagement on bilateral and multilateral levels was accelerated.

The Omega Plan espoused by President Wade of Senegal and the Millennium Africa Recovery Programme (MAP) were merged to form the New Africa Initiative (NAI). An integration process of the various initiatives followed, and on 11 July 2001, NEPAD (or the New African Initiative (NAI) as it was temporarily known at the time), was presented to the OAU Summit of Heads of State and Government in Lusaka, Zambia. It provided the vision for Africa, a statement of the problems facing the continent and a Programme of Action to resolve these problems in order to realise the vision. NEPAD was enthusiastically received and unanimously adopted as Africa's principal agenda for development, providing a holistic, comprehensive, integrated, strategic framework for the socio-economic development of the continent, within the institutional framework of the African Union. The first meeting of the Heads of State and Government Implementation Committee, as mandated at the OAU Summit in Lusaka to drive the process forward, took place in Abuja, Nigeria on 23 October 2001. The Committee, comprising Nigeria, South Africa, Algeria, Senegal, Egypt, Mozambique, Botswana, Tunisia, Mali, Ethiopia, Mauritius, Rwanda, Sao Tome and Principe, Gabon and Cameroon, finalised a name for the initiative, namely the New Partnership for Africa's Development (NEPAD). NEPAD replaced NAI, which was merely intended to be a working title for the purposes of the OAU Summit.

In a quest to address the problem of poverty, a mandate was given by the OAU to five Heads of State (Algeria, Egypt, Nigeria, Senegal and South Africa) to develop an integrated socio-economic development framework for Africa. The 37th Summit of the OAU in July 2001 formally adopted the

strategic framework document. For the purposes of this study, it is important not to lose sight of the different views on NEPAD of the various economic groupings in Africa. These different views are vital to the success of the programme and will improve ownership by the targeted beneficiaries, a vital cornerstone for sustainable development. It should be emphasized that NEPAD as a programme of the AU cannot be attributed to one country only - it is a combination of initiatives from various parts of the continent.

In order to address the problems stated above, the New African Partnership for Africa's Development (NEPAD) was conceptualised. The mandate for NEPAD has its origin in an OAU Extraordinary Summit held in Sirte, Libya during September 1999. The Summit tasked President Mbeki of South Africa and President Bouteflika of Algeria to negotiate the writing-off of Africa's debt with rich countries of the North, because it was recognised that the level of debt in Africa undermines its development ability. Due to the fact that debt relief forms but one critical aspect of the overall development agenda for Africa, the OAU Summit held in Togo in July 2000 mandated the three presidents to engage the developed North with a view to developing a constructive partnership for the revival of the continent. Good governance has an influence on the ability of countries to service their debts. One of the problems facing Africa is the question of high debt. In 1987, up to as much as forty percent of the continent's export revenues was used for interest payments on foreign debt (Deutschmann, 1989:35).

However, this should not be construed as a call for Africa not to be held accountable for the proper application of resources, whether raised from donors or from the exchequer. The South Summit of the Non-Aligned Movement and the G-77, held in Havana, Cuba during April 2000, further mandated President Mbeki and President Obasanjo of Nigeria to convey the concerns of the South to the G-8 and the Bretton Woods institutions.

Although NEPAD brings hope to the African Union, it will remain a mirage if financial resources and the requisite investments are not adequate to support its implementation. Sub-Saharan African economies must continue to present their case for support to the international community and seek appropriate assistance, especially as they reform their economies. Domestic policies, in general, must foster self-reliance in order to reduce and eventually eliminate the need for external assistance (Mshomba, 2000:49).

The attainment of the NEPAD objectives will require funding and administrative capacity. Such capacity should enable African countries to tap financial assistance and mobilise domestic and foreign investments available from monetary institutions such as the World Bank and the International Monetary Fund. The linkages between NEPAD and Official Development Assistance (ODA) to fund continental priorities become critical.

The NEPAD programme has a participatory element. It is important to portray in a study such as this, the views of the different sub-regions in the continent. To this end, over three hundred scholars from the African continent held a meeting under the auspices of the Renaissance South Africa Outreach Programme in Pretoria, South Africa, from 17-19 June 2002. The meeting provided African scholars with a platform to deliberate on and inform the debate on the Constitutive Act of the African Union (AU) and the New Partnership for Africa's Development (NEPAD). The objectives of the meeting were to critically engage with the NEPAD process and to explore the role and responsibility that African scholars can play towards the accomplishment of the goals of NEPAD.

NEPAD is an initiative by African leaders to address Africa's recovery from its status of economic underdevelopment and the promotion of sustainable

development in a globalising world. It was born out of the conviction by African leaders that Africans must either develop themselves or remain underdeveloped. It is an initiative aimed at poverty reduction, reversing the marginalisation of Africa, and promoting sustainable development, democracy and good governance on the continent. It is also aimed at the collective and integrated industrialisation of Africa. In other words, it is a political strategy intended to tackle the African development crisis. Consequently, NEPAD is welcomed as an initiative to be embraced by Africans, especially given the precarious situation of Africa at the end of the 20th century. Prof Firmino Mucavale is of the view that NEPAD is a dynamic programme and should not be considered as a finished product (Report of the high level working session of the African Peer Review Mechanism (APRM) Panel of Eminent Persons, 2003:19).

It is up to African leaders themselves to disprove the allegation by some scholars that the NEPAD initiative is located within the Washington consensus and as a result, is likely to perpetuate and reinforce the subjugation of Africa in the international global system, the enclaviness of African economies and the marginalisation of the majority of Africa's people. There is a further perception that NEPAD is too elite driven and contains no civil society implementation plan. Various scholars have described the NEPAD strategy as marginalising the majority of significant players and ultimately defeating the principles of pluralism, democracy and transparency on which it is based (Kotze & Steyn, 2003:43).

The success or sustainability of NEPAD depends on, among others, its continental inclusivity. The views of the representatives of the various economic groupings should be respected. This will alleviate the perception held by others that NEPAD was the product of a small group of political elites without the participation of the African people and civil society organisations. African people should claim ownership of NEPAD through

consultation and dialogue between African leaders and civil society organisations.

NEPAD seeks to strike a balance between Foreign Direct Investment (FDI) and domestic investment. This will serve to increase the much required resource flow into Africa. The programme also seeks to promote a shared vision about Africa's development needs, thereby engendering a common African identity.

According to the NEPAD founding document (October, 2001:16), the programme emphasises the preconditions for sustainable development, which are peace; security; democracy and political governance initiatives; the economic and corporate governance initiative; and the sub-regional and regional approaches to development. The sectoral priorities must be explored. These include bridging the infrastructure gap; the Human Resource Development Initiative; the Agriculture Initiative; the Environment Initiative; the Cultural Initiative and Science and Technology Platforms. For each sector, however, the objective should be to bridge the existing gaps between Africa and the developed countries so as to improve the continent's competitiveness (NEPAD, 2001:21).

Another important aspect is the mobilisation of resources, which refers to the Capital Flows Initiative and the Market Access Initiative. Africa needs assistance and should obtain assistance from the rest of the world in respect of true economic development. Developed countries often play a role in the ongoing over-dependence of Africa on foreign funds.

1.2 The rationale, aims and objectives of NEPAD

The NEPAD initiative is anchored on the determination of Africans to emancipate themselves and the continent from the malaise of underdevelopment and exclusion from the globalising world. It is a call

for a new relationship or partnership between Africa and the international community, to overcome the development challenge. The partnership is founded on a realisation of common interests, obligations, commitments, benefits and equality. According to President Yoweri Museveni, economic partnerships between Africa and the developed world are required to stimulate the provision of infrastructure and foreign investments (Mshomba, 2000:49).

The rationale for establishing the NEPAD management structures that have been agreed upon is to ensure capacity for implementation. To this end, the issue of capacity building is critical to the successful implementation of the NEPAD process, in particular the extent to which African countries develop commensurate capacity for undertaking strategic NEPAD projects. The issue of capacity building permeates through all the priority areas, because it underpins the success of the whole initiative. The guiding principles for NEPAD include: good governance, African ownership and leadership, anchoring development on the resources and resourcefulness of its people, partnership between and among the African peoples, acceleration of regional and continental integration, and ensuring that all partnerships in pursuit of NEPAD are linked to the Millennium Development Goals.

NEPAD signifies political commitment by African leaders to take the continent forward. The initiative is premised on African states making commitments to good governance, democracy and human rights, while endeavouring to prevent and resolve situations of conflict and instability on the continent. Coupled to these issues, are efforts to create conditions conducive to mobilising domestic investments to leverage the Foreign Direct Investment to support NEPAD. The ability of the continent to attract and effectively manage the resources pledged by the countries of the North, necessitates a need for a cadre of public administrators to pursue effective management of public revenue and expenditure. According to

Kuye (2004:4), the central role of the state in public administration, development, planning and economic management has had a strong resonance in Africa. He places much emphasis on the need to target and optimise the application of resources.

The New Partnership for Africa's Development (NEPAD) is a holistic, integrated, sustainable development initiative for the economic and social revival of Africa, involving a constructive partnership between Africa and the developed world. It is a pledge by African leaders, based on a common vision and a firm and shared conviction that they have a pressing duty to eradicate poverty and to place their countries, both individually and collectively, on a path of sustainable growth and development. According to NEPAD (2001:14), the long term objectives of NEPAD are to:

- (a) eradicate poverty;
- (b) place African countries, both individually and collectively, on a path of sustainable growth and development;
- (c) halt the marginalisation of Africa in the globalisation process and enhance its full and beneficial integration into the global economy; and
- (d) accelerate the empowerment of women.

According to NEPAD (2001:14), NEPAD's goals include:

- the achievement and sustenance of an average Gross Domestic Product (GDP) growth rate of 7 percent per annum for the next 15 years; and
- ensuring that the continent achieves the agreed Millennium Development Goals (MDGs).

For NEPAD to accomplish the above goals, it remains important that partnerships based on mutual respect for the sovereignty of states are created. The NEPAD offers a historic opportunity for the advanced

countries of the world to enter into genuine partnerships with Africa, based on mutual interests and benefit, shared commitment and binding agreement, under African leadership. In proposing the partnership, Africa recognises that it holds the key to its own development.

Funding from cooperating partners should be deliberately targeted for development programmes. The adoption of a development strategy, together with a detailed programme of action, marks the beginning of a new phase in the partnership and cooperation between Africa and the developed world, including multilateral organisations. In the spirit of African ownership, it is critical that the core costs of NEPAD, e.g. the financing of the Secretariat, are financed by Africans themselves.

The adoption of NEPAD, as a programme of the African Union, is considered one of the most important developments of recent times, since its conception of a development programme places Africa at the top of the global agenda. This is because NEPAD places particular significance on the creation of a mechanism to enhance people-centred, sustainable development in Africa, guided by the values of democracy. It should be acknowledged that Africa has an abundance of natural resources and human capital that can be marshalled in such a way that self-development is achieved.

The NEPAD programme is aimed at replacing poverty with sustainable growth and development, thereby creating a conducive environment to mitigate Africa's marginalisation and positioning it to play a meaningful role in the global economy and politics. Central to the conceptualisation and envisaged implementation of NEPAD, is the principle of ownership which, coupled with community participation, are vital ingredients for sustainability.

The challenges in Africa result from the fact that, although Africa is richly endowed with natural resources, its level of development is not in line with its potential in terms of resource endowments. NEPAD is a pledge by African leaders to participate actively in the world economy and body politic. In other words, it is a political strategy intended to tackle what can be referred to as the African development crisis.

The key to the implementation of NEPAD as an AU Programme is the mobilisation of funding in the form of both the domestic and foreign investments. Not only is funding important in itself, the institutional capacity to effectively attract and administer the investment flow to support the NEPAD are just as important.

To ensure the success of the NEPAD objectives, the coordination of various activities across the continent should be streamlined. Africa needs to inspire its people and to change foreign negative perceptions held about it. Centres of Excellence will be required to build the required capacity to implement NEPAD. In this regard, institutions from across Africa can play an important role in identifying and guiding such Centres of Excellence, to ensure that administrative capacity is built within the continent to leverage much needed investments to support the implementation of NEPAD. Flowing from the above, it is suggested that national and regional institutions be identified or established to facilitate networking by African intellectuals and to carry out detailed research on a number of issues, including the conceptualisation of the requirements for the successful implementation of NEPAD. This is vital for Africa's eventual development. It is crucial that an appropriate model of investment mobilisation and attraction be established if the funding for the NEPAD programme is to be realised.

Holistic debates on developmentalism and the type of development required in Africa should be established at regional and continental levels.

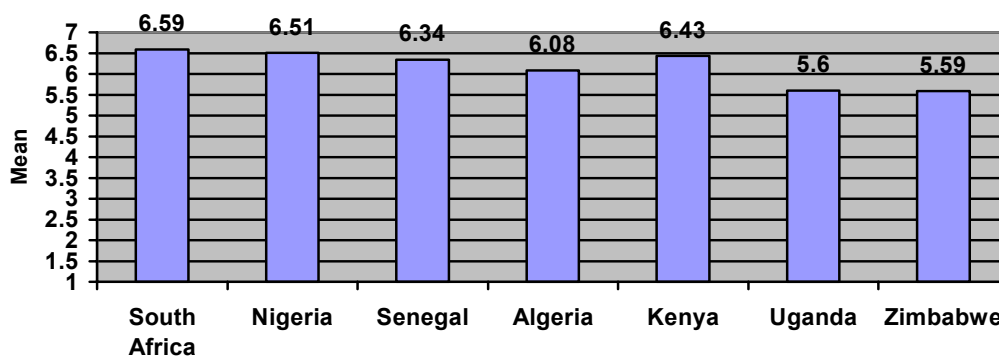
Calls have been made for further reflection on the relationship between African intellectuals and policy-makers, as NEPAD has not yet shown such a relationship or social contact. A summit between the African scholarly community and African political leadership should be called as part of the NEPAD agenda. African leaders should be urged to speedily implement the decision of the Lusaka Summit of the OAU in 2001, to popularise the AU and NEPAD through the involvement of civil society. This will serve to enhance the community ownership of the NEPAD programme. Furthermore, African leaders should be called upon to create a conducive environment, and to transform the informal economy to make it more productive, as a means of income-generating activities and as a source of sustainable livelihoods. This requires micro economic research by academics that can complement the economic policy-making, poverty alleviation and development efforts of the continent. Professor Adedeji of the University of Eduardo Mondlane in Mozambique holds the view that African economies are largely transaction based since there is value added by the enterprises. Hence there is a real need to move from such economic orientation to a transformative one that adds value (Report of the High level working session of the African Peer Review Mechanism (APRM) Panel of eminent persons, 2003:16).

To support NEPAD and promote sustainable development in Africa, urgent actions are required to establish mechanisms needed for the immediate implementation of NEPAD in its totality, with clear resource commitments, including financing, technology partnerships and human and institutional capacity building at regional, sub-regional, national and local levels. This is crucial towards the achievement of the required sustained annual growth rate to meet the Millennium Declaration Goals, particularly the goal on poverty eradication.

To participate in the global world as an equal partner, Africa has to build the requisite capacity to ensure the effective management of its

institutions in support of NEPAD. There is a perception by some scholars in Africa that NEPAD is a Western invention. For example, according to Taylor (2004:29), NEPAD is a “partnership” with the developed world, whereby African countries will set up and police standards of good governance across the continent, whilst respecting human rights and advancing democracy in return for increased aid flows, private investment, and lowering the obstacles to trade with the West. This perception is exhibited in Figures 1 and 2 (source: Kotze & Steyn, 2003, 47 & 57):

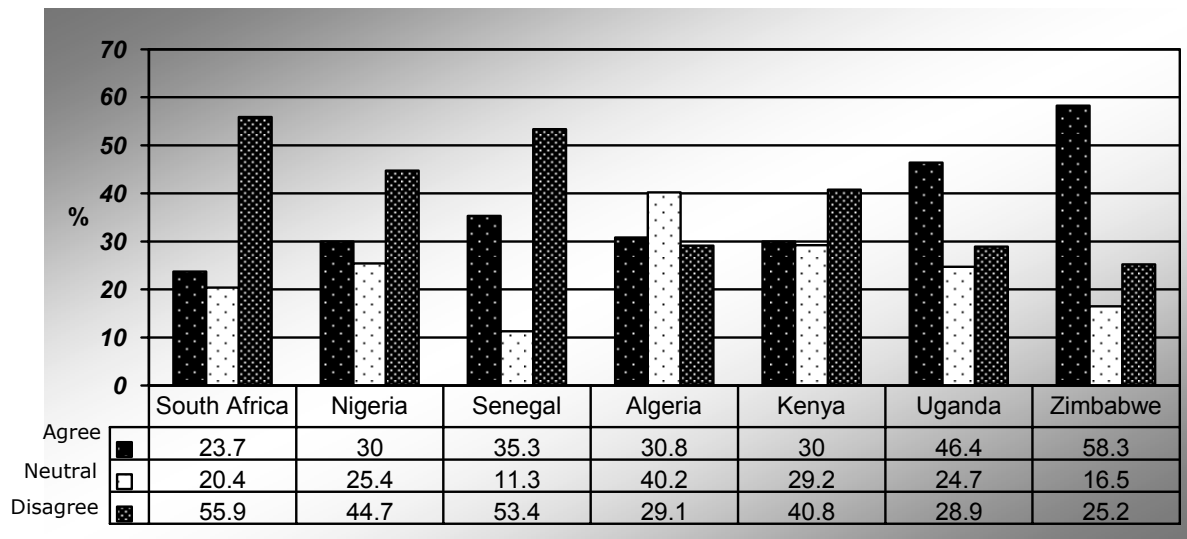
Figure 1: Confidence in NEPAD to improve the economic prospects of Africa (mean: on a 10-point scale)



Source: Kotze & Steyn, 2003, 47

However, NEPAD is not perceived as a genuine African programme (see Figure 2).

Figure 2: Perceptions of NEPAD



Source: Kotze & Steyn, 2003, 57

This perception should be managed in such a way that good governance is voluntarily acceded to. An example of the political will to enforce good governance is the African Peer Review Mechanism (APRM) (see section 1.3.2). Africa needs to ensure that sufficient administrative capacity is established to support the implementation of NEPAD. In this regard, major emphasis will be placed on the administrative functioning of the AU in attracting investments to support NEPAD.

Although it is important for Africa to seek support beyond its borders, it should be emphasized that the solutions for Africa's problems lie in the administrative capacity of its institutions to effectively mobilise domestic investments and to leverage foreign investments. Africa, through NEPAD, has to ensure that there is political and economic stability necessary for its recovery. Regional cooperation can also be used as a conduit for economic growth and development, which is necessary to stimulate Foreign Direct Investment and to mobilise domestic investments. Many Africans advocate regional economic integration as an effective strategy for trade and development in Sub-Saharan Africa (SSA). The process of

forging integration in SSA involves the challenge of among others, reducing over-dependence on donor assistance (Mshomba, 2000:192).

NEPAD seeks to achieve the above aims by establishing an environment for sustainable development. Peace and security, the protection of human rights, democracy, good political, economic and corporate governance, regional cooperation and integration are vital elements for the success of the NEPAD programme. Conflict prevention and the establishment of enduring peace on the continent are just as important. NEPAD is a holistic, integrated, strategic development plan to enhance growth and reduce poverty in Africa by addressing key social, economic and political priorities in a coherent and balanced manner. It is a vision for Africa, conceived and developed by African leaders. It is also a framework for new partnerships with the rest of the world to accelerate the integration of the African continent into the global economy. These objectives enhance the ownership required for the sustainable implementation of any development programme.

Based on past experiences, African leaders have noted that peace, security, democracy, good governance, human rights and sound economic management are preconditions for sustainable development. In this regard, leaders have accepted the responsibility for addressing these issues, and through NEPAD, pledge to work individually and collectively to promote these principles in their countries, sub-regions and the continent. The new partnership envisages calls on external partners to support NEPAD through debt relief, enhanced aid in the form of increased foreign direct investment, improved mechanisms of official development assistance (ODA), and enhanced market access for Africa's exports. The new partnership will be based on mutual commitments, obligations, interest, contributions and benefits.

In summary, there is political will for Africa to succeed. The very adoption of NEPAD, as a development programme which places Africa at the apex of the global agenda, is considered to be one of the most important developments of recent times. It is a programme premised on the recognition that Africa is richly endowed with natural resources and that capacity and leadership are required to transform the latent opportunities in Africa into deliverables to improve the quality of life of the citizenry.

While the principle of partnership with the rest of the world is vital to this process, such a partnership must be based on mutual respect, dignity, shared responsibility and mutual accountability. Such a partnership, if well managed, can lead to economic growth and development and increased employment. This will reduce poverty and inequality, thereby increasing the quality of life of African people. It will enhance Africa's competitiveness internationally and increase export levels. This will make African integration through intra-trade engagement worthwhile.

1.3 NEPAD'S institutional mechanisms

It should be emphasized that the NEPAD programme is not intended to replace, duplicate or compete with existing initiatives already underway in Africa, but rather to complement such initiatives. It seeks to consciously establish linkages and synergies between itself, as a programme of the AU, and various other initiatives on issues such as trade, integration and ODA. NEPAD seeks to build on such initiatives and develop a comprehensive pact between Africa and its development partners.

Effective administrative functioning of the NEPAD institutional mechanisms is vital for the successful implementation of the programme. NEPAD has a four-tier governing structure, viz., the AU Summit of Heads of State and Government (the highest authority); the Heads of State and Government Implementation Committee (HSGIC), which meets three times a year and

reports annually to the AU Summit; a Steering Committee comprising personal representatives of the five initiating Presidents; and the NEPAD Secretariat which is based in South Africa.

1.3.1 The Heads of State and Government Implementation Committee (HSGIC)

The HSIC is charged with overseeing the implementation of the NEPAD action programs and reports to the AU Summit of Heads of State and Government on an annual basis. The Chair of the AU and the Chair of the Commission of the Union are ex-officio members of the Implementation Committee.

The HSGIC comprises 3 states per AU region as mandated by the OAU Summit of July 2001 and ratified by the AU Summit of July 2002. The 15 states are as follows:

- Central Africa: Cameroon, Gabon and São Tomé and Príncipe;
- East Africa: Ethiopia, Mauritius and Rwanda;
- North Africa: Algeria, Egypt and Tunisia;
- Southern Africa: Botswana, Mozambique and South Africa; and
- West Africa: Mali, Nigeria and Senegal.

1.3.2 The Steering Committee

The Steering Committee of NEPAD comprises the personal representatives of the NEPAD Heads of State and Government. This Committee oversees projects and programme development, develops terms of reference for identified programs and projects, and oversees the activities of the NEPAD Secretariat.

1.3.3 The Secretariat

The NEPAD Secretariat is composed of a small full-time core staff based in Midrand, South Africa. The Secretariat coordinates implementation of projects and programmes approved by the HSGIC. The Secretariat is charged with functions of liaison, coordination, administration and logistics in support of NEPAD.

1.3.4 African Peer Review Mechanism (APRM)

The African Peer Review Mechanism (APRM) was acceded to by member states of the African Union as a self-monitoring mechanism at the 6th Summit of the Heads of State and Government Implementation Committee of NEPAD. Its mandate is to ensure policies and practices of participating states conform to the agreed political, economical and corporate governance values contained in the Declaration on Democracy, Political, Economic and Corporate Governance. Member states of the African Union are encouraged to join the APRM.

The primary purpose of the APRM is to enhance African ownership of its development agenda through the identification, evaluation and dissemination of best practice among participating member states. It aims further to foster the adoption of policies, standards and practices that promote political stability, high economic growth, sustainable development and accelerated sub-regional and continental economic integration, through the sharing of experiences and the reinforcement of successful and best practice. This includes the identification of deficiencies and assessment of needs for capacity building. The APRM is intended to strengthen the participating member countries, build confidence in policy making and implementation, and to enhance the credibility of social governance and reform (Report of the high level working session of the

African Peer Review Mechanism (APRM) Panel of eminent persons, 2003:3).

One of the key objectives of the APRM is to identify any deficiencies in the implementation of NEPAD, with a view to improving compliance with the Constitutive Act of the AU by member states. The APRM was adopted by the Heads of State Implementation Committee. Member states are not forced to accede to the APRM, although they are encouraged to do so. The APRM is not intended to punish countries that do not comply. The purpose of the APRM is, among others, to share vision, experiences and expertise on a number of issues, e.g. issues of governance.

Peer Review refers to the systematic examination and assessment of the performance of a State by other States (peers), by designated institutions, or by a combination of States and designated institutions. The Peer Review should be conducted by an independent, credible African institution, separate from the political process and structures of the particular member state. The reviews can be done either at periodic intervals or on a needs basis. The ultimate goal is to help the reviewed State improve its policy-making and policy-execution; adopt best practices; and comply with established standards, principles, codes, and other African Union (AU) agreed commitments.

In the APRM, the reviews are concerned with democracy and political governance (political systems, electoral processes and participation of various stakeholders, for example); economic governance and management, (macroeconomic management, public financial accountability, corruption, regulatory oversight bodies, for example), banking and financial standards, corporate governance and socio-economic development.

Peer reviews can be conducted based on subject areas or themes. For example, an individual country peer review could relate to economics, governance, education, health, environment, or other policies and practices. Within one or more of these subject areas, a State may be examined against a wide range of codes and standards for compliance. Similarly, several countries can be examined at the same time, either individually or collectively as sub-regions, with respect to a particular theme such as "Combating Corruption for Sustainable Development," for instance.

The overall responsibility for the APRM is vested with the member states of the AU who have voluntarily chosen to participate in the process by acceding to the APRM, in particular, the Forum of Participating Heads of State and Government. The Heads of State and Government of participating countries appoint the members of the Panel of Eminent Persons (PEP). Initially, however, the NEPAD Heads of State and Government Implementation Committee (HSIC) will appoint the Panel of Eminent Persons. The Panel in turn advises the participating Heads of State and Government on the appointment of African institutions or persons to conduct corporate governance, socio-economic, development and technical assessments. Technical assessment teams may include representatives from two participating countries. The Panel of Eminent Persons will have overall responsibility for the quality and integrity of the assessment process. The APRM panel currently comprises Professor Adebayo Adedeji, Ambassador Bethuel A Klipgat, Dr Dorothy Limunga Njeuma, Ms Marie-Angelique Savane, Dr Chris Stals and Dr Graca Machel.

The APRM panel should consider what is African in the African Peer Review (APR) process, since the answer to that question is crucial in charting the future of the APRM and putting it in a position to make a contribution to democratization and good governance in Africa (Report of the High level

working session of the African Peer Review Mechanism (APRM) Panel of Eminent Persons, 2003:75).

The NEPAD Secretariat will establish a unit for the coordination and support of the APRM process. The unit, which will serve as the APRM Secretariat, will provide secretarial, administrative and technical support to the Panel of Eminent Persons and the Committee of Heads of State and Government of participating countries.

After a country review, a consolidated report consisting of all the elements of assessment will be prepared by the APRM Secretariat under the supervision of the Panel. The consolidated report will cover assessment of democracy and political governance, economic governance and management, financial and banking standards, corporate governance and socio-economic development. The Chairperson of the Heads of State and Government Implementation Committee or of the participating Heads of State and Government, as appropriate, will determine for which countries technical assessments will be conducted.

The APRM dictates that each country develops a Programme of Action within the framework of specific time-bound objectives. The APRM teams comprise a pool of technical expertise to review progress made by a country's national Programme of Action. Country Support Missions have been established to ensure a common understanding of the philosophy, rules and processes of the APRM, and to support participating countries with processes should such a need be indicated. Each country that has acceded to the APRM will appoint a National Focal with responsibility for the overall co-ordination of the APRM process in the particular country. It is very important that the findings of the APRM process are communicated to all concerned, if the objective of the APRM is to be realised. Six months after the review report has been considered by the APRM Forum for Participating Heads of State and Government it will be tabled formally and

publicly in key regional and sub-regional structures to which the country belongs, e.g. the AU.

Member states being reviewed will have certain obligations, including provision of accommodation and infrastructure for the duration of the review. The areas for review will be agreed upon in advance by governments in consultation with civil society. Governments may decide to be peer reviewed on what they do best, or on areas where they do not do well with the intention of learning from others. The budget for the APRM process should advisably be funded by the African governments themselves and not by donors. This will serve to enhance the level of ownership, commitment and sustainability of the overall process.

According to (the Report of the High level working session of the African Peer Review Mechanism (APRM) Panel of Eminent Persons, 2003:39-40), the fundamental principles of the APRM are:

- transparency;
- obligation to report (make findings known) to the Heads of State Implementation Committee and Summit;
- not punitive but can be interrogative; and
- voluntary.

The APRM focus may be on political governance (human rights issues), economic governance, corporate governance and sustainable development. Heads of State can use the APRM to coerce a country to comply with a particular charter; e.g. to prevent gross violation of human rights in a particular country.

The APRM will enhance African ownership of its development agenda, through a system of self-assessment that ensures that policies of African countries are based on best practice and good governance. An effective mechanism, designed, owned and managed by Africans, must be credible,

transparent and all-encompassing, so as to demonstrate that African leaders accept the responsibilities and obligations to their peoples, and are genuinely ready to engage the rest of the world constructively on the basis of equality and mutual respect.

The APRM will enable the continent to intervene on a need basis in any situation considered to be a threat to the ideals of good and transparent governance. The issue of economic and corporate governance in Africa, with a view to promoting sound macro-economic and public financial management and accountability, while protecting the integrity of monetary and financial systems, is also critical. In this regard the APRM is consistent with the Treaty Establishing the African Economic Community, the Constitutive Act of the African Union and the founding document of NEPAD, which, among others, visualize the harmonisation of economic policies among African countries.

The APRM is significant for the monitoring and evaluation of the implementation of NEPAD by African leaders. In some sense, the APRM is a challenge to Africa and for this reason, ownership of the mechanism becomes important. It should be designed and owned by African leaders so as to demonstrate that they are fully aware of their responsibilities and obligations to their peoples and are genuinely prepared to engage and relate to the international community on the basis of mutual respect.

Peer review should be used to enhance adoption and implementation of best practice. Despite the sovereignty of member states, the AU may review and intervene in the affairs of its member states. The AU, unlike its predecessor, placed a limit on the extent of intervention. In general, the principle of non-interference is upheld, but intervention may be recommended as and when circumstances demand.

Africa cannot blindly accept terms of review from the West. The terms of review should be determined and committed to by African leaders themselves. This will ensure greater ownership and commitment to the process. This is said against the background of the perception that peer review is a Western requirement. Africa must develop its own terms of review, which should comply with international best practice.

The argument from African leaders is not that there should be no reviews. However, the concern raised is that donors should not take advantage of the poverty situation in Africa to impose stringent measures that are in themselves oppressive.

The political will to support good administration is evidenced by an acceptance of the APRM in principle. The APRM can be used to foster commitment, unity, solidarity, cohesion and cooperation among peoples of Africa and African states. African states must build all the institutions necessary to deepen political, economic and social integration of the African continent. The APRM will enhance the participation of member states in the adoption of policies and practices that conform to the agreed political, economic and corporate governance values, codes and standards. It will also serve as a critical instrument for advancing reforms in governance and socioeconomic development, and in building capacity to implement these reforms.

Peer reviews will be conducted within the timeframes as approved by the 2002 AU Summit. There are four stages to the APRM process as follows:

Stage One entails a careful analysis of the governance and development environment in the country to be reviewed. It draws heavily on the country's existing self-assessment and monitoring, and consultations which identify the key issues in political governance that should be examined in the peer review process. These consultations provide for

wide ranging interaction and buy-in by a large number of stakeholders, including civil society organisations.

Stage Two constitutes the country visit by a country review mission team. This Stage is informed by the analysis prepared in Stage One. The country review mission consults and conducts extensive interviews with relevant government officials, parliamentarians (including members of opposition parties), private sector representatives, and representatives of civil society (including media, academia, trade unions and NGO officials).

Stage Three involves the preparation of the mission findings and discussions of the draft report with representatives of the Government being reviewed, for accuracy and their response to the findings.

Stage Four entails discussion and consideration of the country review findings by the participating Heads of State and Government. It is recommended that, before submission to the participating Heads of State and Government, the reports be considered by a Technical Committee comprising the Panel of Eminent Persons and senior officials of countries that have agreed to be peer reviewed, so as to reinforce the mutual learning and adoption of best practices aspects of the APRM process (APRM Report, 2003:3-4).

To maintain the independence and credibility of the process, the draft report of the findings and recommendations of the country review will belong to the institution conducting the review. After consideration and adoption by the Implementation Committee or a Committee of Participating Heads of State and Government, the report will be considered final and will be owned by the said Committee.

The Panel of Eminent Persons (PEP) is tasked with the following functions:

- To exercise oversight with respect to the APR process with a view to ensuring the independence, professionalism and credibility of that process;
- To recommend appropriate African institutions or individuals to conduct technical assessments and country reviews;
- To meet periodically to review and make objective assessments of country review reports submitted to it by the APRM Secretariat;
- To consider and approve recommendations contained in the country review reports submitted to it by the APRM Secretariat; and
- To present to the participating Heads of State and Government all country review reports with recommendations for consideration and adoption.

The Implementation Committee or the Committee of Participating Heads of State and Government has ultimate responsibility for oversight of the APRM and for applying the peer pressure required to make this voluntary peer review process effective, credible, and acceptable by both Africans and the international community. Professor Samuel Kwesi Adjepong, chairman of the National Governing Council, a body in charge of the local African Peer Review Mechanism (APRM), has called on the government to remain committed to the APRM implementation process. Dr Francis Appiah, executive secretary, Ghana National APRM Governing Council, said to ensure non-partisan and prevent government manipulation, an independent body has been set up to lead the process. He said the actual work of the APRM has been given to civil societies who can interact freely with the people (NEPAD Secretarial Publication entitled Show Commitment to APRM, 13 April 2005:1).

In fact the African Peer Review Mechanism (APRM) is a new and innovative initiative by African leaders to ensure the achievement of NEPAD's goals and objectives. At the time of writing, 24 countries have

acceded to the APRM and the assessment process has started in four countries. A further four countries will soon receive Support Missions.

Although countries have demonstrated their commitment to funding the process at a national and continental level, funding of the APRM remains a challenge. Plans are at an advanced stage for the development of an APRM Trust Fund. Once areas requiring improvement have been identified, it will be critical to avail resources for building the capacity of countries to enable them to implement the recommendations of the Peer Review process.

1.4 Summary

This chapter presented an overview of the emergence of the African Union (AU) and the establishment of its programme, the New Partnership for Africa's Development (NEPAD). The rationale, aims and objectives of NEPAD were discussed, as well as the institutional mechanisms in place to implement and manage the programme.

The chapter also identified the administrative and other challenges that will vex the AU in its quest to implement NEPAD and the adopted APRM. The high poverty levels in Africa present a further challenge to the ability of NEPAD to accomplish its objectives. Based on the above short background, the next chapter focuses on the research methodology followed in order to explore the topic in greater detail.

CHAPTER 2: RESEARCH METHODOLOGY

2.1 Introduction

The purpose of this chapter is to describe the research process followed, by presenting an exposition of the research methods and data collection techniques used in this study. The research method chosen was determined by the problem statement as encapsulated within the title, which is the identification and demarcation of the field of study.

It should be noted that the final topic chosen is usually the outcome of a long internal debate by the researcher. It will have passed through a number of stages of enhancement, which may include deviation from the topic originally conceived. It is advisable not to try to formulate the final title at the beginning of the study, since experience has proven that the first title is usually a preliminary draft (Botha & Engelbrecht, 1992:37).

All research topics are subjected to the changing circumstances within which the study takes place. A researcher should factor some flexibility into the design phase of the project. It is therefore not advisable for the researcher to confine him or herself to one method during the planning phase. This will allow for a proactive possible alteration of direction in the research project, should circumstances demand. Examples of the circumstances that may necessitate an alteration to a topic may include, among others, insufficient responses to a postal survey or inadequate provision of answers to questions that the researcher may ask. It may be that the researcher is unable to get access to the intended interviewees or to the sites where observations were to be carried out. It may also happen that as the researcher continues to read the literature, he or she establishes that the research questions have already been addressed thoroughly by others, thereby rendering the intended study obsolete.

2.2 Description of research process and delineation of study

The first stage in the research process is to identify the problem that manifests itself as a challenge for society, thereby creating justification for a study. The identification of the problem requires good exposition or communication skills to elucidate what is required, and the ability to realise the research goal. It is advisable to delineate a study in such a way as to give focus to the time and context within which the study takes place. The terrain of investigation should be carefully circumscribed and delineated.

This study is delineated in terms of being confined to the role of the African Union in promoting regional cooperation and the investment initiatives required to support NEPAD, within the discipline of Public Administration. The researcher strives for a balanced view that takes into account the perspectives of scholars from the various Regional Economic Communities (RECs) in Africa. The views of African scholars will receive particular emphasis, so as to ascertain what Africans themselves perceive as a way of dealing with the challenges on the African continent.

2.2.1 The definition and nature of research

Research is simply the gathering of required information to solve a stated problem (Booth, Colomb & Williams, 1995:6). While science refers to the system of scientific knowledge, research refers to the process by means of which a system of this nature is established and extended. In the final analysis, research is a systematic way of conducting an investigation (Botha & Engelbrecht, 1992:18).

Research and its results are determined by the statement of the problem. Research outcomes should be aimed at influencing the overall decision-making process and the way that things are done, although the result of

the research process may not necessarily result in a change in the way of doing things. The change, if desirable and necessitated by the research outcomes, should be justifiable. Changes in working practices can be justified by the reports of in-house research teams, or those of external consultants. Research can also vary in terms of magnitude. To arrive at credible and meaningful findings in a research project poses a huge challenge to any researcher. Furthermore, it should be emphasized that research can be a subjective exercise (Blaxter, Hughes & Tight, 1996:5).

2.2.2 Research paradigm

The purpose of conducting research is to contribute towards a particular paradigm. Research outcomes can either reinforce or negate a specific paradigm. A paradigm is a world view, a general perspective, a way of breaking down the complexity of the real world. As such, paradigms are deeply embedded in the socialization of adherents and practitioners. Paradigms tell us what is important, legitimate and reasonable. Paradigms are also normative, telling the practitioner what to do, eliminating the need for long existential or epistemological consideration (Kuhns & Martorana, 1982:4).

Practical and political constraints, as well as theoretical and research paradigms all influence both the choice of methodology and the practice of the research itself (Brannen, 1992:149). The very first step in the research process is to select a topic for the research work. In this respect, it becomes necessary to ascertain the type and amount of work already done in the area of interest. This is critical in order to contribute to an existing pool of knowledge, while avoiding duplication of work already done in a particular field. The research process, therefore, should be preceded by a thorough consultation not only of completed dissertations and theses, but also of a variety of other sources, in order to make a meaningful academic contribution. Consulting these sources means not

merely taking cognisance of them, but scrutinising them critically with a view to identifying linkages and areas of commonality with the researcher's intended topic. It is the view of the researcher that no research topic can be conceived in isolation of the academic and external environment.

It is important that researchers should adhere to the highest research standards possible. This should take into account the fact that there will always be a need for application of new paradigms of understanding and new procedures of research on existing data (Botha & Engelbrecht, 1992:37).

Paradigms make it possible for researchers to engage in normal science, the work of filling in the details and testing the individual hypotheses of major theories. Scientists work from models acquired through education and through subsequent exposure to the literature, often without quite knowing or needing to know what characteristics have given these models the status of community paradigms. That scientists do not usually ask or debate what makes a particular problem or solution legitimate, tempts researchers to suppose that, at least intuitively, they know the answer. However, it may only indicate that neither the question nor the answer is relevant to their research. Paradigms may be more binding and more complete than any set of rules for research that could be unequivocally abstracted from them (Kuhns & Martorana, 1982:4).

2.2.3 Statement of the problem

Although endowed with rich natural resources, Africa still experiences extreme poverty with all its associated problems. The challenge therefore is to unleash Africa's potential in order to alleviate poverty levels. Domestic and foreign investments are required to finance development projects such as NEPAD, amongst other African Union initiatives. It is

during the implementation of such projects that jobs can be created and local economies stimulated.

A statement of the research problem is a sine qua non for a scientific dissertation or thesis. It should offer a justification of the research work and study which is undertaken. It should also convince the researcher, the reader and other role players that it is worthwhile to spend money and energy on the work and that it contributes to the promotion of the academic discipline.

The statement of the problem should be adequate and clear enough so that the reader will understand what it is all about. In his/her statement of the problem the researcher must anticipate basic questions and objections from the informed and learned readers (Botha & Engelbrecht, 1992:38).

The following problem statement prompted this study:

Although the New Partnership for Africa's Development (NEPAD) has been launched and enjoys much political and popular support, the stimulation and generation of investments, regional cooperation and other developments on the African continent in support of NEPAD's goals, require investigation.

The African Union is a new organisation and thus still has many issues that require further study and research. This study focuses on the role of the African Union in promoting regional cooperation, including an in-depth analysis as to how to mobilise investments to support NEPAD.

This study takes place within the discipline of Public Administration. Public Administration is a recognised and distinct field of study because of the requirement that those who practice it in a democratic state (that is the

political office-bearers and public officials in organisations such as the AU and NEPAD Secretariats) have to respect specific guidelines that govern their conduct when carrying out their work. Observance of the guidelines should keep the legislatures from passing mal-enactments, the governmental office-bearers from practising mis-government, and officials from committing mal-administration (Cloete, 1998:91).

Research output from this study will be disseminated to the African people, universities, research institutions, civil society, business, the AU and governments in Africa. Conceptualisation of any research involves at least two activities, namely the conceptual clarification or analysis of key concepts in the problem statement, and relating the problem to a broader framework or context. All research involves certain key concepts around which the study is built. Such concepts require upfront definition, as they form the foundation of the study (Mouton, 1996:123).

2.2.4 Research objective

This research study intends to propose solutions in relation to the problem statement and to suggest solutions to African challenges as seen purely from an African perspective. The problem statement informs the research objectives. A problem statement, therefore, can be equated to a statement of intent which clarifies, limits and constitutes a very distinct aspect and image of a particular problem in a specific field or particular discipline. A statement of the problem is a declaration of policy which brings clarity to the intention of the researcher and influences the choice of the route to be followed during investigation.

The objective of this research study is:

To assist African countries to build the requisite administrative capacity and infrastructure to enhance their ability to attract much needed investments to support NEPAD and regional cooperation.

2.2.5 Research question

The topic chosen for a research study must offer the researcher the opportunity to make a contribution to existing knowledge in any of the following instances:

- To gather and present new or improved evidence for supporting or disproving existing concepts, theories and models;
- To furnish new or improved methodology for research work with respect to both the subject of investigation as such, and the paradigm of its understanding;
- To conduct new or improved procedures of analysis of the subject and of the topic by virtue of the innovation of new paradigms of understanding and new procedures of investigation; and
- To postulate new or improved concepts or theories on the topic (Botha & Engelbrecht, 1992:37).

To this end, the researcher will endeavour to answer the pertinent research question:

What factors are required to support the accomplishment of the goals of NEPAD?

Emphasis is placed on the role that officials should play in order for regional cooperation to stimulate much-needed domestic and foreign investments to support NEPAD as an AU Programme within the discipline of Public Administration. Most of the NEPAD objectives are unlikely to be accomplished due to insufficient funding and absorptive capacity in Africa. This study demonstrates the need to build administrative capacity to procure and apply resources that can be donated from the rich countries of the North and from multilateral organisations. A criticism leveled against Africa is that of lack of sufficient absorptive capacity for aid. Africa should optimise the financial assistance available from international

institutions such as the World Bank. As an example, World Bank lending to Africa rose from \$2.2 billion in the fiscal year 2000, to \$3.4 in the fiscal year 2001 (World Bank Report, 2001:65).

Such investments in Africa require effective application and accountability. Investment flows to Africa are often hindered by the conflicts prevailing on the continent. Africa has the potential to rid herself of conflicts. NEPAD has justifiably highlighted the resolution of conflict as one of its priorities. The current levels of economic growth will also need to be increased if the NEPAD objectives are to be met. The achievement of the levels of growth necessary to halve poverty in Africa by 2015 requires better economic, political and administrative governance throughout Africa. Africa should work towards the accomplishment of this target.

This study will inform Africa's engagement in pursuit of the Millennium Development Goals (MDGs) and the Johannesburg Plan of Implementation (JPOI) agreed at the World Summit on Sustainable Development (WSSD). Africa requires donor funding to augment its own resources to realise the MDGs.

The partnership between Africa and the richest countries of the North and beyond is indispensable for the success of NEPAD. The NEPAD partnership cannot be satisfied until there is a commitment to reform that generates an increase in annual economic growth across the continent. While the principle of partnership with the rest of the world is equally vital to this process, such partnerships must be based on mutual respect, dignity, shared responsibility and mutual accountability. Fairer terms of trade are equally important.

Current trade rules create serious barriers to the processing and value adding that Africa needs in order to speed up economic growth, to generate higher income for workers, and to be able to afford the imports

needed to invest in the better transport systems and infrastructure necessary for development. Partnerships with developed countries and the multilateral institutions to bring about sustainable economic recovery and improvements in the standard of living are critical in this regard.

2.2.6 Research design

The research design of an investigation refers to a plan or strategy for the study. It is based on a notion in the mind of the investigator as to how he or she perceives the way in which he or she will go about the statement of the problem and how solutions will be accomplished. It is therefore a description of how information will be generated including the collation and processing of such information. As is the case with the other aspects of research work, the researcher starts with a preliminary draft design which is finalised during the course of the investigation. In such a design, the researcher will commence with an explanation of which data are needed to address the problem and also where the data are to be obtained. This close interrelationship between the statement of the problem and the design of the study cannot be overemphasized. The strategy of the investigation, as spelled out in the design, must be completely in line with the research questions, hypotheses and the statement of the problem (Botha & Engelbrecht, 1992:40).

The aim of theoretical and conceptual studies is to review and to discuss the most relevant and appropriate theories, models or definitions of a particular phenomenon. In many empirical studies, a review of the most pertinent theoretical positions or schools is seen as the first step in the research process and should influence the design.

This means that the researcher requires some theoretical premise on which to base the study. In this particular case, the theoretical base for the study is regional cooperation and economic integration as important

variables required to attract investments to support NEPAD. A review of some theoretical positions forms the theoretical framework for the empirical study, usually by deriving the hypotheses from one or more of the accepted theories or models (Mouton, 2001:92).

2.3 Motivation for the research

Africa's development cannot be postponed. This research is important in the sense that governments will be expected to implement the Constitutive Act (2000) that established the African Union, which will require some practical guidelines. The AU has recently been established and research such as this study will be helpful in contributing to the knowledge pool required for accomplishing its objectives. This research attempts to provide recommendations in response to the problem statement and research question identified.

Africa has developed protocols in a number of areas of cooperation, which provide a legal framework for cooperation among member states. Unity and a common vision among member states should be fostered. This is because the people of the region need democracy, good governance, the eradication of corruption, enforcement of human rights, peace and stability. The precondition for the successful implementation of NEPAD is for Africans to have a common vision and speak in one voice (Makgoba, 1999:168).

In justifying the existence of a research project and its objectives, the researcher should elucidate clearly the reasons for the study and for investigating a particular problem. The significance of this selected topic is the emphasis that African leaders have placed on NEPAD, regional integration and cooperation. However, NEPAD is not an organisation but an initiative, a programme of the African Union (AU), which derives its mandate from the July 2001 Lusaka Summit of African Heads of State and

Governments. It is an initiative aimed at poverty reduction on the continent, to place African economies on the path of sustainable development and reverse their marginalisation in a globalised world. Requisite to the success of the implementation of the NEPAD initiative is the spirit of ownership.

NEPAD recognises that the social transformation of the continent cannot be effectively managed on a country-by-country basis, neither can it be achieved by external dependence, but must instead be based on shared common values and as partners (NEPAD, 2001:6). Policy makers and academics must see development as a process in which Africa is being steered towards a destination of its choice. The determination of this destination is the sole preserve of Africans themselves. The process requires rethinking of the social basis of development, primary attention to institutional capacity and the mobilisation of people towards a shared vision. NEPAD marks and demonstrates to the rest of the world, a shift in paradigm that seeks to provide a searchlight for development planning in Africa.

There should be a concerted effort to identify, evaluate and disseminate best practice. Growth and development of the member states' economies is required if the regions are to satisfy the growing needs of their populations. There is political will to expand and to modernise these economies, to make them internationally competitive, and to ensure that they generate the resources to enable them to meet the objective of providing a better life for their citizens on a sustainable basis.

Nations desire their relations with other countries to be friendly. Any violations of agreements between countries will disturb their mutual relations. The example of the Democratic Republic of the Congo (DRC), Burundi, Sudan and Zimbabwe illustrates the predicament in which Africa finds itself. Even when relations are not cordial and there is no interest in

improving them, nations will refrain from violations that might create major disputes (Henkin, 1979:52).

As already mentioned, there is an increasing need for investment inflows to finance the accomplishment of the NEPAD objectives. NEPAD is a vehicle to mobilise these investment flows into Africa. The promotion of regional cooperation by the African Union will stimulate internal investments to support NEPAD.

This research is also important in so far as it seeks to establish among other things, the type of leadership required for Africa to implement NEPAD (see Chapter 5) while placing sufficient emphasis on regional cooperation (see Chapter 3). It is the opinion of the researcher that this study will have theoretical and practical applications (Botha & Engelbrecht, 1992:39).

2.4 Limitations of the study

Having motivated the need for study, the researcher acknowledges the following limitations of the study: the Constitutive Act (2000) establishing the AU is not yet in force and some of the key NEPAD documents will have to be translated from French into English in order to obtain a balanced view. Ideally, one would have preferred to study all the literature on regional cooperation and NEPAD as an AU Programme, in order to give more weight to findings. However, for reasons of limited time and resources, notwithstanding the scope of the study, the researcher settled for the samples as indicated above.

2.5 Research methods

Research methods are an important component or aspect of the research process and are determined by the purpose of the study. The researcher

aligns himself with the school of thought that holds that one must first identify a research problem and then decide on a methodological perspective that is superior to others for studying it, namely, that the nature of the stated problem should determine the methods to be used. Methods are tools used to obtain information about a study being undertaken. The nature of the study being undertaken determines the type of tools to be used. It is these tools that also determine the reliability of the data collected, upon which findings are made. The methodology to be used is very important, as the basic virtue of research is accuracy. The methods chosen are also influenced by the theories under investigation.

The research method answers the question of how the researcher intends to go about conducting the research. It is important for a researcher to adopt a methodological perspective that will guide his or her work. The researcher should also state clearly the reasons for preferring one method of collecting the data over the others.

According to (Blaxter *et al.*, 1996:78), thinking methodologically can significantly enhance research, because:

- it provides a better appreciation of the advantages and disadvantages of particular methods, on their own or in combination;
- it allows a researcher to relate it to similar projects undertaken by other researchers;
- it may provide an interesting perspective on the research; and
- it provides a range of possible research strategies, approaches and techniques available to the researcher in undertaking research.

Whatever the methods a researcher chooses, he or she should know in advance what the main sources of information required for his or her topic are and most importantly where to locate them. The most important

factor influencing the choice of research methods is the purpose of the research (Brannen, 1992:140).

2.5.1 Research method chosen for this study

For the purpose of this study the researcher chose the literature review method as a qualitative approach to study the problem encapsulated by the problem statement. The advantages of the selected method are that a lot of quality information can be accumulated within a short space of time and at reasonable cost. This method cites only books and articles relevant to the specific issue; it creates a distinction between the study under review and any other study already conducted (Lester, 1999:134). It is also a systematic, explicit and reproducible method for identifying, evaluating and interpreting the existing body of recorded work produced by researchers, scholars and practitioners (Fink, 1998:3).

However, a literature review is not simply driven by the research questions, so the opposite also applies: the more one reads the more clarity one obtains, which may often lead to a change in the formulation of the research problem. It is truly an interactive and a cyclical process (Mouton, 2001:91).

The following subset of Bailey's (1987:11) stages of research was followed:

- choosing the research problem;
- formulating the research design;
- gathering data;
- summarising and analysing data;
- interpreting the findings; and
- formulating recommendations.

Continued consultation and utilisation of the relevant literature is an important precondition for a thesis. As already indicated, the study of NEPAD is a relatively new area of research. Therefore it is not anticipated that there will be any duplication between this study and any other. The subject of NEPAD and the AU are very important issues and in one way or the other they affect the lives of all who live in Africa. For that reason, the researcher assumes that there will be much interest in the subject and that this will serve to enhance and complement it. The emphasis in this research will be placed on regional cooperation and investment mobilisation (Domestic and Foreign) to support NEPAD.

From the literature surveyed, it became evident that a study as broad as the role of investments as stimulants to regional cooperation in the African Union to support NEPAD, cannot be exhaustive. However, the researcher endeavoured to make the review exhaustive in terms of its coverage of the main aspects or themes of the study (Mouton, 2001:90).

2.5.2 Types of research methods

This section discusses various types of research methods, namely quantitative, qualitative and action research. A combination of these methods can in some cases be used depending on the topic been researched.

Qualitative and quantitative methods represent distinctive approaches to social research. Each approach is associated with a certain cluster of data collection techniques. Quantitative research is strongly associated with social survey techniques such as structured interviewing, self administered questionnaires, experiments, structured observation, content analysis, analysis of official statistics and so on. Qualitative research, on the other hand, is typically associated with participant observation, semi- and unstructured interviewing and discourse analysis (Brannen, 1992:59).

2.5.2.1 Quantitative research

Quantitative research refers to those studies in which the data collected can be analysed numerically. Quantitative work implies the application of measurement or a numerical approach to the nature of the issue under scrutiny, as well as to the analysis of data (Brannen, 1992:85). An example of a quantitative research technique is the use of questionnaires in which the data collected is analysed numerically.

Quantitative research is based more directly on its original plans and its results can be scientifically analysed and interpreted. This interpretation will inform the findings and recommendations.

2.5.2.2 Qualitative research

Qualitative research, on the other hand, is concerned with collecting and analysing information that can describe events, persons, and so forth, without the use of numerical data. It tends to focus on exploring, in as much detail as possible, smaller numbers of instances or examples which are seen as being interesting or illuminating, and aims to achieve 'depth' rather than 'breadth' (Blaxter *et al.*, 1996:60).

Qualitative research is more open and responsive to its subjects. It is often an intense or micro-perspective, which relies upon case studies or evidence gleaned from individuals or particular situations (Brannen, 1992:85). Examples of qualitative research techniques may include *inter alia*, interviews and observations. However, although an interview is qualitative in nature, it could also be structured and analysed in a quantitative manner.

Qualitative research designs require that the researcher gets close to the people and situations being studied, in order to understand the issues being investigated in their totality. This means that researchers who use

qualitative methods strive to understand phenomena and situations as a whole (Kuhns & Martorana, 1982:8-9).

Blaxter *et al.* (1996:60) argue that qualitative research is harder, more stressful and more time-consuming than other types of research. The detailed descriptions, direct quotations and case documentation obtained by qualitative methods are raw data from the empirical world. Qualitative data emerge from a process of naturalistic inquiry. Qualitative designs are naturalistic and do not allow for manipulation of the research setting by the researcher.

According to (Kuhns & Martorana, 1982:6-7), naturalistic inquiry is an approach aimed at understanding actualities, social realities, and human perceptions that exist untainted by the obtrusiveness of formal measurement or preconceived questions. It is a process geared to the uncovering of many idiosyncratic, but nonetheless important, stories told by real people, about real events, in real and natural ways. The more general the provocation, the more these stories will reflect what respondents view as salient issues, meaningful evidence, and appropriate inferences. Naturalistic inquiry presents real life scenarios about the state of affairs in real time. This takes into account peoples' feelings, knowledge, concerns, beliefs, perceptions, and understandings.

The researcher who uses a qualitative approach seeks to capture the actual point of view of the respondents. Qualitative data describes in depth the experiences of people. The data are open-ended in order to establish what peoples' lives, experiences and interactions imply, in terms of their natural settings. Qualitative descriptions permit the institutional researcher to record and understand people on their own terms. Qualitative data provide depth and detail. This emerges through direct quotation and careful description and will vary depending upon the nature and purpose of the particular study.

According to Kuhns and Martorana (1982:6-7), the following six characteristics of qualitative research may be discerned:

- 1 Events can be understood adequately only if they are seen in context. Therefore, a qualitative researcher immerses her/himself in the setting.
- 2 The contexts of inquiry are not contrived but are natural.
- 3 Nothing is predefined or taken for granted.
- 4 Qualitative researchers want those being studied to speak for themselves, to provide their perspectives in words and other actions. Therefore qualitative research is an interactive process, in which the persons being studied teach the researcher about their lives.
- 5 Qualitative researchers attend to the experience as a whole, not as separate variables. The aim of qualitative research is to understand experience as a unified event.
- 6 Finally, for many qualitative researchers, the process entails appraisal about what was studied.

Blaxter *et al.* (1996:61) argue that qualitative research implies a direct concern with experience as it is "*lived*" or "*felt*" or "*undergone*". In contrast, quantitative research, often taken to be the opposite approach, is indirect and abstract, and treats experiences as similar, adding or multiplying them together, or quantifying them. The aim of qualitative research, then, is understanding experience as nearly as possible as its participants feel it or live it.

The merits and demerits of the use of one research technique over the other are debatable and to a great extent depend on the topic under investigation. The debate and competition between paradigms is best replaced by a new paradigm of choices. The paradigm of choices

recognises that different methods are appropriate for different situations (Kuhns & Martorana, 1982:5).

The approaches and the subjectivity of individual researchers will always differ, taking into account the various schools of thought from which they were nurtured. For example, a view has been stated that quantitative strategies tend to be more scientific or 'objective' while qualitative research tends to be dominated by an element of subjectivism.

Quantitative and qualitative approaches differ not only in methods employed but also in the perception of the problem and the type of the data they produce (Brannen, 1992:85). Nevertheless, there are a number of ways in which both qualitative and quantitative approaches can be combined or used simultaneously. Both types of research can bring about valid results and can be usefully applied - they are not mutually exclusive, but can be used to mutually reinforce each other during an investigation of a particular problem.

2.5.2.3 Action research

Blaxter *et al.* (1996:64) define action research as the study of a social situation with a view to improving the quality of action within it. It aims to feed practical judgment into concrete situations. The validity of the theories or hypotheses it generates depends not so much on scientific tests of truth, as on their usefulness in helping people to act more intelligently and skilfully. In action research, theories are not validated independently and then applied to practice. They are validated through practice.

Action research is an increasingly popular approach among small-scale researchers in the social sciences, particularly for those working in professional areas such as education, health and social care. It is well suited to the needs of people conducting research in their workplaces, who

have a focus on improving aspects of their own and their colleagues' practices.

According to Blaxter *et al.* (1996:65), there are seven criteria to distinguish different types of action research. Action research:

- is educative;
- deals with individuals as members of social groups;
- is problem-focused, context-specific and future-orientated;
- involves a change intervention;
- aims at improvement and involvement;
- involves a cyclic process in which research, action and evaluation are interlinked; and
- is founded on a research relationship in which those involved are participants in the change process.

Action research is clearly an applied approach, one which could also be seen as experimental. It offers a research design which links the research process closely to its context, and is predicated upon the idea of research having a practical purpose in view, leading to change. It also fits well with the idea of the research process as a spiral activity, going through repeated cycles and changing each time (Blaxter *et al.*, 1996:64).

2.5.2 Data collection techniques

There are various social science research techniques that can be used to collect data, for example literature review, document analysis, interviews, observations, case studies and questionnaires (Blaxter *et al.*, 1996:63).

For the purpose of this study, the researcher chose the literature review method as an instrument for collecting data.

Depending on the topic under investigation, the researcher may use more than one method. This is even more feasible if a research topic is investigated by a team of researchers individually, targeting different stakeholders. One researcher may, for example, use a survey, or a set of interviews, or even a series of observations. The advantage of using more than one method is that complementary findings may be confirmed. Thus, if well managed, a multifaceted approach to the research process may yield a more comprehensive result for the topic under investigation.

There should be good reasons why the researcher opts to use more than one research method, as this may demand more resources, such as time and money. The process whereby two or more methods are used to verify the validity of the information being collected is referred to as *triangulation*, in which the findings of one method can be checked against the findings yielded by another method. For example, the results of a qualitative investigation might be checked against those resulting from a quantitative study. The aim is generally to enhance the validity of the findings (Brannen, 1992:60).

Triangulation may involve mixing quantitative and qualitative research methods. There are three kinds of triangulation, namely, triangulation between methods, within methods and holistic triangulation (Kuhns & Maratorana, 1982:45). The notion of triangulation is drawn from the idea of "*multiple operationalisation*", which suggests that the validity of the findings and the degree of confidence in them will be enhanced by the deployment of more than one approach to data collection.

2.5.2.1 Literature review

There are two perspectives to reviewing the literature: either as a study on its own, which some people prefer to call a "*literature study*", or as the first phase of an empirical study. Either way, it is essential that every research project begins with a review of the existing literature. Therefore,

a literature review forms an essential component of any study. The term "*literature review*" does not, in fact, encapsulate all the meaning that it intends to convey. To illustrate this point, any research is preceded by an acknowledgement of some work already done in a specific field. The initial step is to explore and review the existing scholarship or available body of knowledge, in order to learn how other scholars have investigated the research problem. This then informs the investigation to be conducted.

It is a constructive exercise to learn from other scholars: how they theorised and conceptualised issues, what they found empirically, what instruments they used and to what effect. In short, a researcher is interested in the most recent, credible and relevant scholarship in his or her area of interest. For this reason, the term *scholarship review* would be more appropriate. Ultimately, it should be aim of all researchers to minimize the effect of error during each stage of the research process, thereby increasing the likelihood of achieving minimum standards of validity in scholarship (Mouton, 2001:110).

One reason why a review of the existing scholarship is crucial, is that the term denotes far more than what is under investigation. So, when reference is made to reviewing a body of scholarship (a literature review), the researcher is in fact interested in a whole range of research outputs that have been produced by other scholars. *Literature* refers to the record of earlier work in any field (Barzun & Graff, 1985:21).

According to (Mouton, 2001:86-87), there are a number of reasons why a review of the existing scholarship is so important, some of which are listed below:

- To ensure that one does not merely duplicate a previous study;
- To discover the most recent and authoritative theorising about the subject;

- To find out what the most widely accepted empirical findings in the field of study are;
- To identify the available instrumentation that has proven validity and reliability;
- To ascertain what the most widely accepted definitions of key concepts in the field are; and
- To save time and avoid duplication and unnecessary repetition.

A good review of the available scholarship not only saves time in the sense that it avoids errors and duplication of previous results, but it also provides clues and suggestions about what avenues require further attention.

2.5.2.2 Interviews

The unstructured or nondirective interview is an event less structured than the life history interview and the focused interview. The chief feature of the nondirective interview is its almost total reliance upon neutral probes that are generally very short. They are intended to probe the respondent's deepest and most subjective feelings. Unstructured interviews can sometimes be more valid than the highly structured interview, even though the latter is more commonly used and probably thought to be more valid. The unstructured interview may also be more valid if the universe of discourse varies from respondent to respondent (Bailey, 1994:194-5).

Unstructured interviewing involves direct interaction between the researcher and a respondent or group of respondents. The advantage of this method is that the interviewer is free to move the conversation in any direction of interest that may emerge. Consequently, unstructured interviewing is particularly useful for exploring a topic broadly (Trochin, 2001:161). Field researchers typically employ unstructured interviews to ask open questions. This conversational approach yields flexibility in that

an answer to one question may influence the next question the researcher wishes to ask. Probing is essential (Wagenaar & Babbie, 1992:171).

2.5.2.3 Fieldwork

The term *fieldwork* refers to the active stage of research, presumably to signify that you have left your study, room, office or library and have entered the field, whether it is a laboratory, a natural setting, an archive, or whatever is dictated by the research design (Mouton, 2001:98).

The kind of observation conducted by field researchers differs from both casual, everyday observation and generic scientific observation. Field research lends itself best to investigating dynamic situations, settings where it is important to preserve the natural order of things, and where the researcher's minimal understanding makes it crucial to understand the subjects' interpretations of reality (Singleton, Straits, Straits & McAllister, 1988:299).

Fieldwork involves the process of going out to collect research data. Such data may be described as original or empirical, and cannot be accessed without the researcher engaging in some kind of expedition. Fieldwork serves to bridge the gap between perception and experience (Kuhns & Martorana, 1982:51). It might, for example, involve visiting an institution to interview members of staff, or standing on a street corner administering questionnaires to passers-by, or sitting in on a meeting to observe what takes place in real time.

2.5.2.4 Deskwork

This method of research consists of those research processes which do not necessitate going into the field. It consists, literally, of those things which can be done while sitting at a desk. These may include, for example, the administration, collection and analysis of postal surveys, the analysis of

data collected by others, certain kinds of experimental or laboratory work, literature searches in the library, and, of course, writing research reports.

As in the case of the qualitative-quantitative divide, the fieldwork-deskwork distinction is something of a false dichotomy, since most, if not all, research projects will make use of both sets of approaches. No matter how much time a researcher spends in the field, it is still necessary to summarise and write up the findings. Similarly, though it is possible to carry out useful research without ever leaving an office environment, information is usually still being accessed in some sort of field setting.

The distinction between fieldwork and deskwork is a difficult one. It is debatable, for example, into which category one would place telephone interviews, which could be conducted at the desk, but effectively take the researcher, at least electronically, into the field. Postal questionnaires fall within the same category. The development of information and communication technologies has undoubtedly allowed a great deal more research to be carried out from the comfort of the office (Blaxter *et al.*, 1996:62).

2.5.2.5 Case studies

The case study technique uses a mixture of methods: personal observation, which for some periods or events may develop into participation; the use of informants for current and historical data; straightforward interviewing; and the tracing and study of relevant documents and records from local and central government, travellers or other sources (Blaxter *et al.*, 1996:66).

The case study is the method of choice when the phenomenon under study is not readily distinguishable from its context. A case study is an intensive study of a specific individual or specific context (Trochin, 2001:161).

The case study is, in many ways, ideally suited to the needs and resources of the small-scale researcher. It allows, indeed endorses, a focus on just one example, or perhaps two or three. This might be the researcher's place of work, or another institution or organisation with which they have a connection, a company, a voluntary organisation, a school, a ship or a prison. Or it might be just one element of such an organisation: a class, a work team, a community group or a football team. Most of the research conducted will be preceded by a discussion of sampling and selection issues, and use a range of data collection techniques, including interviews and observation. Researchers should avoid the temptation of immersing themselves wholly in the case study details.

The researcher should be explicit about how he or she will collect the data (observation, reading files and interviews), and on how people have been selected for interviews. It is imperative that a researcher documents the data collected as accurately as possible for use as a historical record for the researcher himself or herself, and for other possible researchers (Mouton, 2001:104).

The tendency for small-scale researchers, particularly those in employment who are receiving support from their employers, is to locate their research projects in their places of employment. While there may in practice be little or no choice about this, if an element of choice does exist, one should consider various alternatives.

2.5.2.6 Experiments

Blaxter *et al.* (1996:68) argue that in the social sciences, there are two broad traditions of research: experimental and non-experimental. While both seek to explain human behaviour, they differ critically in the amount of control they have over the data. Simply put, experimentalists manipulate variables suspected of producing an effect, while non-

experimentalists observe them. An *experiment* involves the creation of an artificial situation in which events that generally go together are pulled apart. The participants in an experiment are called *subjects*. The elements or factors being studied are termed *variables*.

The researcher may be working within a subject or disciplinary tradition which expects him or her to take a given methodological perspective. In all types of research techniques, however, the researcher should be able to reach a considered opinion on the advantages and disadvantages of using particular approaches or techniques. The researcher may also be able to go a little further, and modify or add to the choice of methods as the need arises.

2.6 Summary

In summary, the subject of NEPAD and the AU are important issues and in one way or the other, they affect our lives and the world we live in. That reason, as well as the high expectations of NEPAD as a programme, indicate that there will be much interest in this research topic. The research problem for this study is prompted by the need to investigate the extent of regional cooperation and investment mobilisation, as well as other influential factors to support the achievement of NEPAD's goals.

Research methodology is a broad field of study in itself. This chapter identified various research methods and data collection techniques. It was mentioned that more than one research method and one data collection technique may be used in a study, depending on the problem statement and the topic under investigation. For example, a particular investigation may involve both experiments and surveys.

It is possible to use action research, case study or survey approaches within either a qualitative or quantitative research strategy, though

experiments tend to be quantitative in nature. Similarly, case studies, experiments and survey approaches might be employed as part of desk-based or field-based research strategies; action research, however, tends to imply some fieldwork. Documents, interviews, observations and questionnaires may be used as part of all the research strategies and approaches identified, though they may be used and analysed differently. The researcher may use alternatives from the different dimensions in combination as appropriate to study a particular set of research questions. In the final analysis, approaches and techniques represent various dimensions of the overall research process.

A good literature review should be well organised and not only a mere covering of the information sources and summarising them one after the other. The search of the literature must be structured and logical in order to optimise on the review process. The key concepts in the research problem statement and in the detailed research questions that are asked constitute an important guide to the review process. The next chapter focuses on the theoretical aspects of the topics being investigated in this study.

CHAPTER 3: THE THEORY OF REGIONAL COOPERATION AND ECONOMIC INTEGRATION

3.1 Introduction

This chapter focuses on the theory of regional cooperation and the significance thereof within the framework of the African Union (AU). It is recognised that no country in the world can exist in isolation, and that there can be no sustainable development of the economies of the world without cooperation. The value of cross border collaboration in trade, politics, diplomacy, arts and culture, and environmental management, is viewed as a base for regional economic integration necessitated by globalisation. The world has become a global village where life implies a shared future, peaceful co-existence, interdependence, mutually beneficial exploitation of resources, and increased production efficiency as a result of economies of scale.

3.2 Background to regional cooperation in Africa

In order to give effect to the principles of regional economic integration and development, there is a need for economic cooperation. An approach that creates an environment for cooperation is crucial to ensure that the participating countries share in the benefits.

Regional cooperation and integration in Africa owes its origin to historical, economic, political, social and cultural factors that have created strong bonds of solidarity and unity among the peoples of the continent. The formal establishment of structures to promote regional cooperation and integration, such as the AU, is important. The AU is required to promote economic and social development through cooperation and integration, as

the next logical step after political independence, if Africa is to accomplish sustainable development.

One of the most critical requirements for effective regional cooperation and the ability to attract investment in Africa in support of NEPAD is sound administration of the established structures. NEPAD's challenges are of an economic nature, relating to trade stimulation, attraction of investment, finance and debt reduction. It becomes important that Africa finds creative ways to regenerate notions of collective self-reliance and regional integration as the building blocks for African unity and development.

Within the context of regional cooperation, Africa must make a concerted effort to secure international cooperation within the framework of a strategy of economic integration. Africa's endowments with different mineral resources cannot justify her continued economic dependence on other continents. Africa should endeavour to move away from dependence to interdependence with other continents on the planet. Haralov, (1997:13) for instance, describes regional integration as "*a process whereby nation states in common solve tasks and create improved conditions in order to maximise internal and external economic, political, social and cultural benefits for each participating country*". In a similar vein, Davies (1994:12) describes regional cooperation as a range of situations in which individual countries act together for mutual benefit resulting from economies of scale.

The need for regional integration is in fact a means towards African unity and the recovery of African dignity and status in global affairs. Through its regional blocks Africa should ensure and promote deeper economic cooperation and integration to help address many of the factors that make it difficult to sustain economic growth and socio-economic development, such as continued dependence on the exports of primary commodities. It has become urgent for Africa to transform and restructure her economies

and encourage local beneficiation. The small size of her individual markets, the inadequate socio-economic infrastructure and the high per capita cost of providing this infrastructure as well as their low-income base, render it difficult for her to attract or maintain the investments necessary for sustained development. Regional cooperation and economic integration can serve to alleviate this challenge. The fact that more than one country is involved evokes the concept of inter-governmental relations. In a sense, this becomes an inter-governmental relations issue, because a total of 53 countries become involved. Inter-governmental relations refers to the cooperation between two levels of government, for example, national, provincial and municipal governments. This term can also refer to relationships among different and sovereign governments for example, South Africa and Namibia as member states of the African Union (Thornhill *et al.*, 2002:8).

3.3 Regionalism and economic integration

The terms 'regional integration' and 'regional cooperation' have, in common, the involvement of neighbouring countries in collaborative ventures. 'Regionalism' represents a regional approach to problem solving including regional integration, regional cooperation or both. 'Regionalism' is any policy designed to reduce trade barriers between a subset of countries, regardless of whether or not those countries are actually contiguous or even close to each other (Baldwin, Cohen, Sapir & Enables, 1999:8).

'Regionalisation' is a method of international cooperation which enables the advantages of decision-making at a regional level to be reconciled with the preservation of the institution of the nation-state (Axline, 1994:73).

The concept of 'regional integration' should not be confused with 'economic integration'. 'Regional integration' covers the full range of public sector activity, including not only the coordination of economic policies, but also regional security, human rights, education, health, research and technology, and natural resource management. The concept of regional integration is thus a broader one than that of economic integration. The expression 'economic integration' can be used in different ways. It can be construed to imply an increase in economic activities among economies within a region or sub-region. This results in an increase in the volume of goods and services leaving each other's shores through imports and exports. The rationale behind regional integration stems from the theory of comparative advantage in international trade, and the interest liberal economists had in promoting the reduction of tariff and non-tariff barriers to trade. The pursuit of regional integration implies the recognition of the importance of international trade in the development process (Lavergne, 1997:152).

There is a general desire for economic cooperation among the AU member states on the basis of mutual interest and respect for national sovereignty. The proposal with regard to economic cooperation between the participating countries does not replace the need for cooperation with countries external to the borders of the continent, from which investment of foreign capital can be procured. Economic growth is just as important and can result from an enhancement of the industrial productivity and competitiveness of African economies. Financial and technical assistance to strengthen the capacities of African countries, including institutional capacity, for the assessment, prevention, management of and preparedness to deal effectively with natural disasters and conflicts should also be provided. Africa must ensure that sufficient administrative capacity is built to enhance effective administration of development programmes and to drive regional integration programmes, thereby optimising the positive multiplier effect of such programmes.

At the outset of each negotiating round, each government decides whether to negotiate regionally (only with other countries in the same continent) or multilaterally (with all other countries) and because of desired symmetry, all governments make the same choice. The negotiating costs reflect the government's political support, which is otherwise not modelled explicitly. The larger reductions in trade barriers incur greater costs, further inflaming adversely affected special interests, and a reduction in the number of negotiating partners lowers costs (Lahiri, 2001:7).

The assistance received by AU member states can, if well managed, lead to the upliftment of their economies and can also serve to fast track other forms of development. There is a recognised urgency to promote the integration of African economies. International prosperity, or international economic development, is achieved through international economic integration, which can serve to diminish regional inequality at the global level. The integration of regional blocks within the broader international economy, can lead to improving standards of living that have the potential for ameliorating political and other regional conflicts (Hanink, 1994:2).

Regional cooperation brings together various forms of cooperation schemes and arrangements for developing countries of the Third World as a whole, and inserts them into ongoing negotiations at the North-South level. This strategy is known as inter-regional cooperation – cooperation of regional blocks and associations of developing countries among themselves (South-South), as well as with the already formed regional blocks and major powers of the industrialised countries of the North (Laslo, Kurtzman & Bhattacharya 1981:2).

A conscious and further effort to deepen South-South cooperation is required to give effect to regional cooperation. The joint capacities of the

developing world should be marshalled in such a way as to advance development goals.

Africa also needs to cooperate with the countries of the North. Accordingly, Africa has managed to secure support for NEPAD from the countries of the North, encompassing the G8, the European Union and the Nordic countries. Agreements should be pursued with multilateral institutions, including the United Nations, the World Bank, the International Monetary Fund (IMF) and the International Finance Corporation.

Among other things, the evolving new partnership with the countries of the North should help to unlock increased capital flows into Africa, better market access for African products, the effective elimination of the unsustainable debt burden, and access to affordable drugs and medicines for pandemics such as HIV/AIDS. This cooperation with the developed world also creates business opportunities. Access for products produced in Africa to the markets of the developed North is of critical importance for the achievement of the development goals, as are access to more capital and a new, more equitable, global financial architecture.

Africa should pursue a policy of regional cooperation and economic integration. The dynamic impact of economic integration includes increased competition, increased investment, economies of scale, political and economic leverage and political stability (Mshomba, 2000:179).

Owing to globalisation, world affairs are increasingly being managed on the basis of consultation and consensus, rather than on that of confrontation and competition. Integration is fast becoming an important aspect of the global trend. Countries in different regions of the globe are organising themselves into closer economic and political entities. These movements towards stronger regional blocs are expected to transform

Africa and the world, both economically and politically, as firms within these economic blocs would benefit from economies of scale provided by large markets and become competitive both domestically and internationally. For firms within the African regional blocs to avoid remaining behind, it becomes imperative for a large regional market to be established so that they too may benefit from economies of scale. On the one hand, regional cooperation can result in sharing of benefits for the participating countries thus resulting in economic growth and development necessary to stimulate Foreign Direct Investment (FDI), while on the other hand, it can mobilise domestic investments. While the direct employment effects of FDI in developing countries may be small, the indirect employment effects (through forward and backward linkages and income growth-induced multiplier effects) could be substantial (Lahiri, 2001:203).

Economic integration as a process, requires strategic guidance and leadership. Economic integration on the continent of Africa requires vision and leadership of the kind displayed by Presidents Julius Nyerere, Samora Machel and Kenneth Kaunda to mention but a few (Mshomba, 2000:201). These leaders envisioned a united Africa on its way to a renaissance. The African Renaissance is an invitation to all Africans - those on the continent and the diaspora - to redefine themselves and to take their destiny into their own hands (Makgoba, 1999:168).

Following the economic integration of a region, investments by Multinational Enterprises (MNEs) from outside the continent will have beneficial competitive effects in some countries, yet may have a negative effect on others, depending on their level of development. On the other hand, regionalism may imply both the general phenomenon as well as the ideology of regionalism: that is, the urge for a regionalist order, either in a particular geographical area, or as a type of world order. Regionalism,

then, can either intentionally or unintentionally, also lead to globalism (Hettne, Inotal & Sunkel, 2000: xxiv).

Economic cooperation if not well managed can be disadvantageous to the continent. Reasons for the failure of economic cooperation in Africa can be related to inappropriate integration schemes, the multiplicity of overlapping arrangements, the dominance of politics and most fundamentally, the widening gap between aspirations and reality (Aly, 1994:145).

Globalisation is a reality and requires regular reviews and adaptation strategies if the objectives of NEPAD are to be realised. Nowhere in the world can policy makers address any problem of economic development without first taking into consideration theories and trends of economic integration globally (Asante, 2000:1).

The growth in the size of the market is critical for economic growth and development of the continent. However, the limited size of domestic markets has constrained growth, in turn, by inhibiting competition and reducing the possibilities for exploitation of economies of scale (Lavergne, 1997:189).

For Africa, regional integration is believed to offer promising opportunities for expanding manufacturing and local beneficiation on the continent, through the creation of larger markets for trade and investment in preparation for global competition (Jenkins & Thomas, 1997:9). Various schools of thought have held different views on regional integration. The points of view of these different schools are primarily premised on the potential anticipated benefits. For developing countries such as those in Africa, regional economic integration can facilitate the reduction in the exploitative dependency relationships arising from limited and

unspecialised domestic markets that lack economies of scale (Gibb, 1993:29).

The AU member states should work towards the integration of their markets. The development-oriented market integration perspective suggests that the principal goal of integration and growth in intra-regional trade is economic development and structural change through industrial growth (McCarthy, 1996:215).

Regional integration *"is a process that promises its participants to achieve a variety of common goals more effectively through integrated, harmonised, or coordinated action than could be done by unilateral measures"* (Robson, 1993:86). Customs union theory - the earliest school of integration - proposes that gains from competition are likely to result from creation of regional markets. Economic integration is also reflected in the internationalisation of production (Gupta, 1997:2).

The need for integration/cooperation in Africa could also have been influenced by specific economic and political conditions of particular African countries at independence. Another reason could be the desire to pool limited skills and administrative capacities in order to strengthen the bargaining power of AU member states politically and economically in negotiations vis-à-vis foreign governments, transnational corporations and other multilateral and regional institutions.

The AU recognises that the economies of the member states are small and underdeveloped and therefore that enlargement of the market may unleash static and dynamic gains. To this end, member states agreed to join together to strengthen themselves economically and politically to develop a vision of a shared future. Studies on regional integration/cooperation suggest, among other things, that countries have much to gain from various forms of regional integration and cooperation.

Van Rooyen (1998:125) argues that regionalism is a world-wide phenomenon and that the key question is not whether the process should happen, but how it should happen so as to benefit the development of the continent. It is generally accepted that sound macroeconomic and trade policies, together with institutional design and political commitment, have been identified in economic literature as necessary to ensure credibility to other economic agents.

The rationale for regional economic integration, to a large extent, is informed by the general understanding that it is a stable, transparent and open macroeconomic environment that is likely to encourage Foreign Direct Investment that African economies so desperately desire. The term 'regional cooperation' may describe steps *en route* to regional integration of African economies (Asante, 1997:20).

Progress towards regional integration in Africa requires acceleration if the pace of development is to be increased. The lack of sufficient progress points to the enormous challenge of boosting Africa's integration to levels comparable to those in other regions. Integration is more important for components that have an interactive effect than for those that are only additive (Leonard, 1991:161).

Regional projects should receive higher priority over national programmes if true integration is to be achieved. Objectives of regional treaties should also be integrated into national development plans, and the time it takes to ratify protocols should be reduced. It is the view of the author that there is sufficient political commitment in Africa for regional integration. The rationale for integration is rooted in the view that countries that participate in it could reap the multiplier effects of the economies of scale (through cost reduction) and thereby enhance the growth of their Gross Domestic Product (GDP). An integrated African economy will better

leverage investment and growth opportunities than fragmented and fragile national economies (Ojo, 1996:119).

The above assertion dictates that AU member states must deliberately sacrifice short-term national goals for long-term regional development goals. Financing regional integration presents a critical challenge. A coordinated action involving regional and international institutions must be undertaken to provide economic integration initiatives with the necessary financial and human support. At the end of the day, clear mechanisms must be established to share equitably the benefits derived from integration by participating members. Monitoring mechanisms should be put in place to regulate the commitment by member states to the sharing of benefits via the implementation of treaties to which they accede.

The evolution of the global economy necessitates the need for enhanced integration of African markets that takes advantage of the economies of scale. This refers to the reduction in the average cost of production as the scale of operation increases (Mohr, Fourie & Associates, 1995:457). Such cost reductions will mitigate against the existing poverty and underdevelopment within the continent. The challenge of putting AU countries on the path to sustainable development continues to confront African leaders, although it is achievable. The progress already achieved has laid a firm foundation for regional cooperation and economic integration. This relates to all elements, including technical cooperation, technology transfers, shared research, skills development, increased trade among member states, and investment in one another's economies. In general, it is easier to find and to maintain cooperation agreements among a small group of nations. However, in African public policy, protocols and economies have experienced uneven development of various segments, units, or regions. Historically, the source of uneven development in African countries can be traced to the development of capitalism, which was experienced by colonial societies in Africa. This

suggests key connections between capitalism and colonialism and also significant variation in the colonial experience, which has resulted in uneven development within African colonies (Kuye, 2004:5).

3.4 Positive multiplier effects of regional cooperation and regionalism

Regional cooperation can be used as a conduit to economic growth and development, which is necessary to stimulate Foreign Direct Investment (FDI) while mobilising domestic investments. The interaction between the countries within the continent must follow a particular structured multilateral approach. Multilateralism is a process whereby countries solve problems in an interactive and cooperative fashion (Baldwin *et al.*, 1999:9).

Savings and investments are central determinants of the rate and pattern of economic growth in African economies. In increasing domestic savings and using the resources in productive domestic investments, African economies will strengthen the region's prospects for accelerated economic growth, poverty eradication and sustainable development. The challenge facing Africa is the creation of jobs which will in turn lead to citizens earning a sustainable income. If job creation cannot be attained, then savings will remain an unthinkable prospect.

Full integration of cross-cutting issues is fundamental to achieving the purposes of each area of cooperation. Increased attention should be given to developing strategies for the cross-cutting issues and in creating synergies between the different areas of cooperation. According to the Executive Secretary of the Economic Commission for Africa (ECA), K.Y. Amaoko, Africa's major development initiatives, such as the New Partnership for Africa's Development (NEPAD), include regional cooperation and integration and poverty reduction strategies. The success

of such initiatives depends crucially on the engagement of a wider range of stakeholders, as well as on experts to provide inputs into Africa's strategies for economic development, with a special focus on issues of a regional nature (The Third African Development Forum Report, 2002:2).

Table 1: Knowledge of NEPAD and the societal sector

	South Africa	Nigeria	Senegal	Algeria	Kenya	Uganda	Zimbabwe
Civil society	3.54	3.15	3.61	2.48	3.17	3.00	2.94
Politicians	3.80	3.14	3.50		3.20	3.45	3.18
Civil servant	3.82	3.18	3.50	2.67	3.47	3.00	2.97
N	566	130	136	120	120	97	140

Source: Kotze & Steyn, 2003:47

Table 1 attests to a perception that the exclusion of civil society in the drafting and implementation phase of the NEPAD strategy has resulted in the policy being subjected to huge criticism, thereby threatening its sustainability. The researcher does not necessarily share the above sentiment, but acknowledges the fact that there is a huge challenge to popularise the NEPAD programme, in order to ensure that Africans know about the information incorporated in Table 1 above. Since October 2001, there has been continued communication about the NEPAD programme itself, which is enshrined in the NEPAD founding document. A lot of advocacy work still needs to be undertaken to ensure that ordinary citizens of the continent know about the NEPAD programme, in order to enhance ownership and commitment to the success thereof.

Deeper economic cooperation and integration, on the basis of balance, equity and mutual benefit should provide a basis for cross-border investment and trade, and freer movement of factors of production, goods

and services across national borders. On the other hand, open regionalism is preferable because it permits gains from trade through a dynamic process, each time a new member joins, as long as trade deviation is controlled (Smith, 1993:17).

Africa has not, as yet, succeeded in attracting sufficient investments into the continent, so efficiency and market-seeking foreign direct investment flows into remain insufficient. Fast tracking market integration to overcome the small size of national markets and limited effective demand is essential. Similarly, efficiency-seeking investment requires appropriate infrastructure for leverage. It also requires a workforce with skills levels that allow for timely and cost-efficient production and delivery of goods to international markets, supported by liberal trade policies and easy access to export markets.

3.5 The role of economic blocs in enhancing regional cooperation and integration

The theory of interdependence has its roots in conventional economic theory. It provides an opportunity to refine interdependence between developing countries and industrial countries. In terms of Krugma's Model, the world is subdivided into continents and the role of transport costs in trade is emphasized, claiming that inter-continental trade costs are infinite. The regional blocks on the continent would stimulate global trade. Economic blocks with low trade costs make regionalism a naturally beneficial policy (Baldwin *et al.*, 1999:13).

Since external countries vary only in location, domestic firms will never locate their foreign subsidiaries, producing intermediate goods, in continents different from those in which they reside, as that would raise the cost of those intermediate goods. They will locate subsidiaries on the same continent if the cost advantage of doing so exceeds d plus whatever

tariff the inside countries levy on the intermediate goods. Presumably multilateral liberalisation would lower such tariffs. External countries on each continent are identical, so a reforming country can improve its prospects if it can distinguish itself from its rivals.

Regional arrangements have a role to play in facilitating effective regional integration. However, the parties to the arrangement must be committed to it if it is to bear fruits. This reflects the fact that regional arrangements usually involve one or more small developing countries linking up with a developed country in an arrangement characterised by asymmetrical concessions and deep integration (Lahiri, 2001:11).

Africa is divided into seven Regional Economic Communities (RECs). These are the Community of Sahel-Saharan States (CEN-SAD), Economic Community of Central African States (ECCAS), Common Market for Eastern and Southern Africa (COMESA), Economic Community of West African States (ECOWAS), Inter-governmental Authority for Development (IGAD), Southern African Development Community (SADC) and Union du Maghreb Arabe (UMA). The signing of the African Economic Community (AEC) Treaty in Abuja in June 1991 provided a renewed and ambitious blueprint for economic integration and development in Africa (Lavergne, 1997:29).

There is a need at the continental level to strengthen the implementation capacity of the Regional Economic Communities (RECs). RECs must be capacitated to assume the responsibility of the mandate to ensure delivery on NEPAD priorities and programmes. Stakeholders stressed the need to bolster the overall implementation capacity of NEPAD beyond the existing implementation units and monitoring schemes. All stakeholders within Africa have to assume full responsibility for implementation of NEPAD and, to this end, ensure that they make a concrete contribution. This will boost the implementation capacity required to support NEPAD. Accordingly, the

NEPAD Secretariat should set up an Implementation Support Group, the primary mission of which will be to assist the Secretariat and the Steering Committee to strengthen their oversight and monitoring of NEPAD and to speed up its implementation. This body should also develop a monitoring and evaluation tool for the HSGIC.

African institutions such as the African Development Bank (ADB) should refocus the work and operations of the entire organisation to support NEPAD implementation, as opposed to merely setting up a NEPAD unit. Such institutions should create special mechanisms for funding regional integration projects.

Multilateral negotiation is initially more tempting than regional negotiation, but eventually successful multilateral liberalisation will cause regional negotiation to become more attractive. Regional blocs then emerge so that multilateral negotiation cannot resume until regional integration is complete. This can be referred to as 'induced regionalism' (Lahiri, 2001:8).

According to Article 4(2) of the Treaty establishing the African Economic Community (AEC) (1991), the Community shall, in stages, ensure:

- (i) The strengthening of existing regional economic communities and the establishment of other communities where they do not exist;
- (ii) The conclusion of agreements aimed at harmonising and co-ordinating policies among existing and future sub-regional and regional economic communities; and
- (iii) The promotion and strengthening of joint investment programmes in the production and trade of major products and inputs within the framework of collective self-reliance.

In the same vein, Article 29 (e) of the Cotonou Agreement (2000) signed in Cotonou, Benin on 23 June 2000 provides that cooperation in the area

of regional economic integration shall support the promotion of cross border investments, both in terms of foreign and domestic, as well as other regional or sub-regional economic integration initiatives.

The Regional Economic Communities (RECs) are not only the building blocks of the African Union, but they are also mechanisms for implementing programmes and projects. It is of crucial importance for the future of the continent to demonstrate political will and commitment to the success of each of the Regional Economic Communities. This entails closer cooperation between the communities and clearly defined roles and reporting structures for the communities in all the initiatives undertaken.

Poverty eradication within the RECs is an indispensable requirement for sustainable development. Furthermore leaders should reiterate their commitment to addressing all three components of sustainable development, namely economic growth and development, social development and environmental protection, as interdependent and mutually reinforcing pillars. This should be done in a balanced way, in conformance with the fundamental principle of common but differentiated responsibilities. Poverty alleviation is ultimately the promotion of human development, which should address aspects of good governance, investment in social services, equitable access to education, health care, safe water, sanitation and adequate shelter, as well as equitable economic growth that creates job opportunities, raises income and livelihood opportunities for poor people, and generates resources for effective governance and adequate investment in social services. In summary, there is an urgent need to strengthen and consolidate RECs as the pillars for achieving the objectives of the African Economic Community (AEC).

The AU is the principal institution responsible for promoting sustainable development at economic, social and cultural level, as well as the integration of African economies. RECs are recognised as the building

blocks of the AU, necessitating the need for their close involvement in the formulation and implementation of all AU programmes. To this end, the AU must co-ordinate and take decisions on policies in areas of common interest to member states, as well as co-ordinate and harmonise policies between existing and future RECs, for the gradual attainment of its objectives.

The most developed RECs on the continent must set the pace of integrating the continent toward its sustainable development. All development programmes must be consolidated under NEPAD for the benefit of the continent. Unnecessary and restrictive immigration policies should be removed to facilitate easy importation of skills and expertise into Africa. African leaders should be held accountable for the execution of the sectoral plans that shall have been jointly developed with their communities. Regional integration will not make much progress until community decisions are given direct force of law over businesses and individuals operating in the member states (Lavergne, 1997:312).

The electorates should insist on holding political leaders in African governments accountable, through democratic means, for improving the coordination of development programmes and optimising the budgets allocated to them. International cooperation depends on such considerations as what governments are trying to coordinate, the degree of competition sought, the willingness of the parties involved to shape national policies around a common international approach, and the costs of seeking and maintaining cooperative arrangements in relation to the benefits created (World Trade Report, 2004:188).

As pointed out by Prof Adedeji, former Deputy Secretary General of the United Nations Commission for Africa, the consolidation of Africa's efforts at economic restructuring through economic integration could depend in large measure on support from social, economic and political groups who

believe in the process as a way of promoting their own interest and ideas. Involving such groups in the integration process would thus contribute to the institutional strength of Africa's regional economic communities (Lavergne, 1997:318).

A specific task ahead of Africans is to reflect on the required performance indicators against which the continent's success can be measured. In doing so, it must be borne in mind that the priority sectors and conditions for development are clearly set out in the NEPAD programme. This New Partnership is necessitated by the need to confront the challenges of the mobilisation of domestic African resources to defeat the scourge of poverty and underdevelopment, to enhance African integration and unity, and to increase cooperation between Africa and all regions of the South and the North.

The NEPAD programme covers many areas that are critical to Africa's development. These include social and economic infrastructure in all its elements, including telecommunications, capital flows, human resource development, agriculture, diversification of production, market access, debt relief and eradication, and the environment. Through NEPAD, work is underway to create the necessary climate conducive to increased business confidence in the future of Africa.

Regional cooperation and integration are important variables required for development in Africa. It should be appreciated that while not necessarily a panacea, they could hold the key to the long awaited participation of African countries in the world economy. Africa should demonstrate that she is of one mind as far as her priorities are concerned. A great advantage is that Africa has the political commitment and the capacity to pursue the goals of unity and development. Regionalism is the most appropriate strategy for the achievement of autonomous, self-sustained development in Africa (Aly, 1994:145).

Regionalism will lead to interdependence among participating countries. One of the forms of interdependence is described as 'demand dependence'. The point here is that demand for a country's production stems partly from domestic consumers and partly from foreign buyers. In the context of inter-relationships between countries, industrial countries have an interest in growth in developing countries, because such growth will increase the growth in their own goods. This, in turn, promotes growth in the industrial countries. The reverse is also postulated to apply, namely, when developing countries sell more of their products to industrial countries, then their own economies grow. In other words, highly developed and less developed countries function mutually as each other's 'engines of growth' in boom times and conversely, impede each other's progress in times of recession and economic crisis (Martinussen, 1997:70).

Conflict leads to instability and undermines the ability of states and regional communities to develop. The future of the region is either very bleak – in case potential conflicts are translated into war – or very bright – if the degree of interdependence proves to be a point of convergence of interest where the very state becomes peaceful (Hettne *et al.*, 2000: xxxiv).

3.6 Capacity building through the African diaspora

African states are exploring the concept of the 'African diaspora' in the context of the bid to implement the notion of the Sixth Region, adopted by the African Union in May 2003. The two target groups that comprise the diaspora, historic Africans and expatriate Africans, are located throughout the world. The diaspora comprises all Africans (and their descendents) who had left, or been taken from Africa by force and still consider themselves Africans.

The diaspora further includes all Africans currently residing anywhere outside the continent of Africa. These people left the continent for various reasons and are a valuable resource for the continent, especially if they become resident within the continent. Initially, the migration abroad was to further education, and while that remained a major imperative, it gradually broadened to include economic and political migration in search of a better and safer life. Many African expatriates have now established permanent roots in their adopted countries. Secure in their lucrative jobs, intermarriages and other connections, they consolidate their new relationships by taking up permanent residence or citizenship.

Africa's challenge is to engage them for much needed political, economic and social partnerships in a quest to strengthen the capacity of the continent. One key challenge is that of the incorporation of those Africans and people of African descent who live away from the African continent but who remain attached through cultural, spiritual, political or economic affiliations. In order to succeed, the AU and NEPAD strategies will require the commitment of African leadership on the continent, since both initiatives rely on the principle of increased African integration and unification, supported by the ideas of ownership and control (Kotze & Steyn, 2003:11).

Each African country should consider adapting the proposed Plan of Action individually or collectively through the AU. Most importantly, this would entail mobilising the diaspora for intellectual and technical resources, increasing market access, and promoting infrastructure investment and development. Mechanisms to realise these goals would include regional conferences, creation of a database and support of existing networks to ensure appropriate linkages. According to President Thabo Mbeki speaking at Chantilly, USA, in 1997, in order for Africa to reach its goals, the present generation must resist all tyranny, oppose all attempts to deny

liberty, avoid resorting to demagoguery, and repulse the temptation to describe African life as the ability to live on charity (Olivier, 2003:817).

Recognition of the phenomenon of diasporians who have returned to Africa and are committed to the development of the continent, is now underway. This category comprises people from the historic diaspora that have voluntarily left their countries of birth and have been resident in various other parts of Africa. These diasporians can now be critical to the future of the African diaspora movement, because they have personal and professional links with both Africa and its diaspora, and understand the politics of both. Africa should strive for equitable and balanced sustainable development. Sustainable development is a process that fulfils present needs without endangering the opportunities of future generations to fulfil theirs (Martinussen, 1997:43).

NEPAD must ensure flexibility of programme distribution by avoiding a strict regional quota system and must subject distribution of projects to demand-driven initiatives. The issue of the impact on non-minority regions and groups, as well as expected extent and duration of the programmes, can be observed through close monitoring, and coordination of viable programmes which play a pivotal role if NEPAD and its grand initiatives are to succeed (Kuye, 2004:9).

Equitable and balanced development of member states is vital for Africa's development. If this objective is to be achieved the widening of the gap between incomes of member states needs to be reversed. Indeed, deeper integration of the regional economy should lead to economic convergence rather than divergence amongst member states.

If the region is to develop faster and take advantage of regional integration and the globalisation process, member states will need to address the constraints facing the supply side of their economies,

including those related to inadequate regional infrastructural linkages. It should be appreciated that the member states of the African Union have an obligation towards ensuring that the objectives of the AU are accomplished. Obligation implies that states and other actors are bound by a rule or commitment. They are bound by a rule in the sense that their behaviour is subject to sensitivity under general rules, procedure and disclosure of international law (Goldstein *et al.*, 2001:17).

3.7 The significance of trade in regional cooperation

Cooperating countries can benefit from dynamic gains resulting from trade. Trade is a relatively important component of GDP in all the countries of the continent. It is viewed as catalytic to deeper regional cooperation and integration and can foster growth and poverty reduction. It is therefore an important instrument for sustainable economic development. Total merchandise trade in Africa must increase in order for countries to reap the benefits of regional cooperation.

There is a need to encourage trade within the continent. Trade barriers within the region must be dismantled. This creates obstacles to regional integration, economic growth and inward investment. It is entirely within Africa's own power to agree to the lowering of these barriers, which would contribute significantly to improved economic growth across the continent. This could be complemented by an investment agreement covering the whole continent, which would improve the prospects for inward investment for all African countries.

Commercial treaties may raise the degree of economic integration among contracting parties, rather than simply legalising and regulating the existing situation. Economic integration may take the form of Free Trade Areas and Customs Unions. In a Customs Union there is also free trade for members, and a common tariff, generally based on an average of the

member countries' previous tariffs, which non-members must face (Bronfenbrenner *et al.*, 1984:617).

An increase in exports raises the demand for domestic goods and services, which in turn increases equilibrium output. The increase in exports alone improves the trade balance (Dornbusch *et al.*, 1991:198).

Another important aspect to bear in mind is that corporate decisions on sourcing, production and marketing are increasingly taken within a global frame of reference. The interplay between trade investment, technology and services as well as their financial underpinning, have accordingly increased in magnitude, and have given more impetus to the need for interdependence.

The past few years have seen a resurgence of interest in integration arrangements centring on common markets, customs unions or free trade areas. Large economic spaces involving major trading partners have emerged, which could contribute to trade liberalisation and, through their growth effects, impart new dynamism to the multilateral trading system. Yet, if mismanaged, such arrangements could become inward looking, shifting the burden of the adjustment to third parties, thus causing trade diversions and other problems for developing country exporters and increasing the potential for trade disputes and tensions (Fairclough, 1993:82).

There is a need to create administrative capacity to harness the benefits of trade. International trade rules have in certain instances worked against the economic interests of developing countries and failed to restrain protectionism in industrial countries, especially through anti-dumping rules and other non-tariff barriers. On average, industrial country tariffs on imports from developing countries are four times those on imports from other industrial countries (United Nations, 2002:7).

3.7.1 Intra-continental trade

A major attraction of the new regionalism seems to be that negotiations with a small number of partners broadens the range of instruments over which fruitful negotiation is feasible, as regional arrangements are regional in a geographic sense: the participants are neighbours. Regional integration typically involves reform-minded small countries 'purchasing', with moderate trade concessions, links with a large, neighbouring country that involve 'deep' integration but confer minor trade advantages (Lahiri, 2001:6).

As the AU moves into higher levels of integration, the issue of overlapping membership of AU countries in a number of other regional bodies becomes apparent. This may result in conflicting obligations arising out of the needs to be addressed, together with challenges posed by globalisation, especially within the framework of the World Trade Organisation (WTO) and the Cotonou Agreement. The establishment of a Free Trade Area (FTA) is vital for trade. A FTA is a form of economic integration among a group of countries that allows each member to maintain its own set of tariffs and quotas against non-members (Bronfenbrenner, Sichel & Gardner, 1984: G-13).

Macroeconomic and sectoral policies that will encourage intra-continental trade should be encouraged. Intra-Africa trade is an important indicator of the intensity of regional integration. However, the continent faces formidable challenges in connecting its transport, telecommunications and power networks. Production of primary commodities remains the dominant activity, spilling over into low trade in agricultural and manufactured goods. In addition, low productivity and high costs of doing business have undermined Africa's internal and external competitiveness. As a result, there has been inadequate stimulation of regional demand for goods and

services. Countries are economically interdependent. One of the basic reasons for international trade is the fact that production factors (natural resources, labour, capital and entrepreneurship) are not evenly distributed among the nations of the world. In the case of natural resources the basic reason for trade is often quite simple: all countries do not possess every natural resource (Mohr *et al.*, 1995:457).

Intra-continental trade is vital for development. Trade represents a critical sector in Africa as it can contribute towards deepening regional integration and help with the overall integration process. Further, it is intrinsically linked to investment. It is the view of the researcher that participating countries will benefit from trade. Trade between two countries will not necessarily have a winner or a loser - the two countries will experience mutual benefit (Nicholson, 1995:229).

There is a need for macroeconomic stability on the continent. Investment policies and incentives to avoid use of receipts in competing for investment require harmonisation. Diversification as well as specialisation in certain products should lie where there is comparative advantage within AU member states. This should be coupled with the formulation of an industrialisation policy that engenders equitable development of the continent.

The establishment of foreign subsidiaries in the same continents as their source countries will further magnify the increase in intra-continental trade relative to inter-continental trade. The basic conclusion is that the reduction in costs of communication, information processing and so on, interacting with trade opportunities, will produce a geographic concentration of economic activity which represents direct investment correlated with international trade. As a result, regional integration with neighbouring poorer countries becomes more attractive for the richer countries relative to further multilateral liberalisation. The reduction of

trade barriers, by making distance relatively more important as a determinant of trade flows, also increases intra-continental trade relative to inter-continental trade. The lower costs induce firms in richer countries to fragment production by establishing subsidiaries in poorer countries. Because distance becomes relatively more important for trade, source country firms will look for hosts in the same continent (Lahiri, 2001:10).

Regional integration is traditionally seen as harmonisation of trade policies leading to deeper economic integration and with political integration as a future result (Hettne *et al.*, 2000: xxiv). African countries must do much more to increase market access and trade within the continent, opening their market to other African countries by reducing tariffs, dismantling cumbersome border procedures and improving infrastructure. Of special importance is the promotion of inter-regional cooperation, and rationalising and strengthening the Regional Economic Communities. They also need to integrate trade into their national development strategies and to implement behind the border reforms that can ignite the supply response (Amaoko, 2003:26).

Developments on the African continent show that many regional economic communities are integrating their markets with some having long established customs unions, while others are at advanced stages and moving towards common markets. For example, the United States has proposed negotiating a free trade agreement with the Southern African Customs Union (SACU), while SADC has commenced negotiations on an economic partnership agreement with the European Union within the context of the Cotonou Agreement (2000). In terms of Article 1 of the said agreement, one of the objectives of the envisaged partnership is to support regional and sub-regional integration processes which foster the integration of the African, Caribbean and Pacific (ACP) countries into the world economy in terms of trade and private investment.

A successful restructuring of AU member states should lead to more diversified economies and to significant reduction in their over dependence on primary commodities. This would also contribute to increases in the volume of intra-regional trade.

The AU must concentrate on the production of commodities that create employment opportunities, versus production of goods that are characteristically capital-intensive. In some countries, oil and mining industries have few linkages with other domestic sectors. In other countries, agricultural commodities dominate export trade. The bulk of imports of all AU countries are intermediate and capital goods. AU member states should strive for long-term improvement in their 'terms of trade'. The expression 'terms of trade' refers to the relative quantities of imported goods received compared to quantities of exports (Chisholm & McCarthy, 1981:416), i.e. the ratio between export prices and import prices expressed as an index (Mohr *et al.*, 1995:474).

The continent must formulate strategies to attract foreign direct investments. These policies and strategies should be consistent with Africa's Common Agenda and conform to the overall strategic priorities of the region, since they relate to achieving complementarity between national and regional strategies and programmes, as well as creating appropriate institutions and mechanisms for mobilisation of requisite resources and progressive elimination of obstacles to the free movement of capital.

The government of each country may negotiate a mutual reduction in trade barriers with other governments, but each government is constrained by negotiating costs. In subsequent periods there will be new rounds of negotiations, with the governments constrained by the same costs in negotiating further reductions in trade barriers (Lahiri, 2001:6).

3.7.2 International trade

Foreign trade plays an important role in the economies of Africa. The key challenge for Africa is to establish a Common Market within a reasonable time frame. It would be essential therefore to address the supply constraint as well as competitiveness of such an industry with regard to production, and to cushion the impact of the international tariff reduction on the development of the smaller, landlocked and less developed members of AU.

Africa's foreign trade has exposed the development process in African countries to the destabilising factors that dominate international markets. African economies and trade must be restructured in such a way as to increase collective self-reliance and thereby reduce dependence on the rest of the world (Aly, 1994:2).

The theory of comparative advantage as espoused by the economist David Ricardo, asserts that countries should specialise in the production of those goods which are relatively more cost efficient. Countries should then trade with each other and with the rest of the world to obtain needed commodities for which the cost of production is higher. It is possible for a country to have an absolute advantage over its trading partners in terms of production of both commodities and end products. In this case the marginal productivity of labour in the production of all goods will be more than that of its trading partner. However, such a country may still benefit from specialisation and trade (Nicholson, 1995:552-553).

Although Africa has progressed, it still has a long way to go in terms of meeting the challenges and benefits brought about by globalisation. Globalisation can be defined as the expansion of economic activities across political boundaries of nation states. More importantly, it refers to a process of increasing economic openness, growing economic

interdependence and deepening economic integration between countries in the world economy. In this sense, it presupposes a process of increasing integration into the world economy (Gupta, 1997:13).

Globalisation involves the multiplicity of linkages and interconnections between the states and societies which make up the modern world system. It describes the process by which events, decisions and activities in one part of the world can come to have significant consequences for individuals and communities in quite distant parts of the globe (Hay & Marsh, 2000:21-22).

Global trends and developments indicate that those nations or groups of countries that are successfully implanting trade and economic liberalisation policies are experiencing high economic growth and an improvement in the quality of life of their citizenry. Globalisation further involves increasing internationalisation of the production, distribution and marketing of goods and services. The effect of globalisation has been the reduction in the capacity of nation-states to control their national economics, which are more influenced by supra-national institutions and trade agreements such as the IMF, the World Bank, the coalitions for economic exchange among countries, and the GATT-WTO, than they are by internal economic levers (Gupta, 1997:315).

Given the changing global environment, the creation of large markets has become synonymous with increased foreign investment and economic growth, as investors search for economies of scale and efficiency gains in the production process. Markets have to be competitive at local and international levels. Small and protected markets have been rendered non-viable by globalisation.

The justification for integration in Africa is even more pressing in the sense that most African economies are too small as markets to generate

the stimulation of investor confidence. There is a need to encourage intra-African trade or even bilateral trade agreements between member states within the AU itself (see Section 3.7.1).

Free trade leads to dynamic gains. Increases in economic well-being accrue to an economy because trade expands the resources of a country or induces increases in the productivity of existing resources (Husted & Melvin, 1998:154).

International trade results in specialisation which broadly describes the movement of production away from the pre-trade point (Kenen, 1989:25). International trade can even be advantageous to a country's cost efficiency in producing all the required goods. One would think that a country that has a comparative advantage could produce anything it needed (Van den Bogaerde & Fourie, 1992:178).

Participants in trade seek to maximise profits and compare relative prices and costs of commodities produced at home with those in a foreign country. The notion underlying comparative advantage is that free international trade will benefit both the trading countries, by allowing each country to specialise in the production of those commodities that it can produce at relatively lower costs. The respective trading partners will then exchange more commodities produced at lower costs than would be possible in the absence of trade, thereby raising the welfare in both countries. The policy prescription drawn from the principle of comparative advantage is that trade among countries should be free from government control, in order for free trade to maximise the welfare of the trading partners. Furthermore, increased trade is an advantage as such increases lead to even more specialisation and greater efficiency of world production (Gregory & Stuart, 1989:362).

Productive factors, such as human and physical capital, can accumulate, and trade policy can affect their steady-state levels. Trade liberalisation has dynamic effects on output and welfare as the economy moves to its new steady-state. The size of the dynamic gain from trade depends on the wedge between social and private returns to capital (Kowalczyk, 1999:487).

3.7.3 Financial reforms in Africa

There is a need to increase the level of substantial integration in the monetary sector within Africa. As the AU approaches the Common Market, there will be a need to coordinate and to some extent harmonise monetary policies in order to achieve balanced and equitable development of the continent.

Financial reforms in Africa have largely focused on the banking sector with a view to making it more competitive. The main features of these reforms have been liberalisation of entry into the banking industry, removal of official controls on deposit and lending interest rates, and strengthening of central bank regulatory and supervisory functions to improve prudence. The adoption of these financial reforms has permitted new financial institutions to enter the banking industry and facilitated the introduction of new financial products. These reforms have however, not been sufficient to increase competition or stimulate increased savings mobilisation and intermediation services in all countries. Most AU members are operating effective stock exchanges, which have an important role in mobilising savings, facilitating privatisation and attracting foreign capital.

According to the President of the African Development Bank (ADB), Omar Kabbaj, effective regional institutions will be critical for the sustainability and effectiveness of any efforts at improving regional integration and economic cooperation. Regional integration is a politically driven process

underpinned by the recognition that sovereign interests are best advanced through regional actions. Therefore, the relationship between Africa's leading national economies and their smaller neighbours will be a critical factor in the success of regional integration and in informing programmes to accelerate integration (The Third African Development Forum Report, 2002:4).

Member states have investment policies and strategies, the main aim of which is to attract foreign investment by offering low corporate and personal income tax rates; tax holidays; exemptions on profits, dividends, interest and royalties; exemptions from import duties and sales tax on inputs and capital equipment; tax rebates and drawbacks; and other allowances. In many respects these investment laws are similar and hence very competitive. Therefore, there is a need for the coordination of policies and activities for promoting investment in the continent. NEPAD provides a framework for developing common negotiating objectives to enhance Africa's negotiating power at the World Trade Organisation (WTO) (Amaoko, 2003:26).

3.8 Summary

This chapter provided a review of the literature on regional cooperation and economic integration. It became evident through the literature reviewed that economic cooperation and regionalism can benefit all participating countries with the positive multiplier effects of increased job opportunities and economic development.

There is a need to activate the African diaspora to marshal all their forces towards the development of Africa, through a deliberate process of integrating them back into the continent in order to contribute to the implementation of NEPAD. Diasporians have a potential contribution to make towards the development of the continent.

Economic blocks can stimulate intra-continental trade and facilitate economic development of the overall continent. One of the basic principles of NEPAD is that the Regional Economic Communities (RECs) are the building blocks for integration, consequently, in all planning and selection of projects and programmes, the RECs should be fully consulted. RECs should be rationalised and strengthened under NEPAD to drive the development agenda of Africa.

A close relationship exists between a country's macroeconomic and trade policies, on the one hand, and the effect of those policies on overall trade, growth and performance on the other hand. The pursuit of regional integration implies recognition of the importance of international trade in the development process. Regional integration can unlock export-led economic strategies that can result in economic stimulation. Deeper regional cooperation and economic integration should be promoted, on the basis of balance, equity and mutual benefit, providing for cross-border investment and trade, and freer movement of factors of production, goods and services across national borders. The next chapter focuses on the application of the theory reviewed with emphasis on the role that can be played by the African Union in promoting regional cooperation and integration.

CHAPTER 4: THE ROLE OF THE AU IN PROMOTING REGIONAL COOPERATION AND ECONOMIC INTEGRATION

4.1 Introduction

The study of the African Union (AU) in accomplishing the objectives of the NEPAD programme is explored by way of a review of available literature and documents on the role that the AU can play in promoting regional cooperation and economic integration. Any analysis of the role of the AU cannot be complete without reference to its predecessor, the Organisation of African Unity (OAU).

4.2 The Organisation of African Unity (OAU) as a predecessor of the African Union (AU)

The main objectives of the OAU were, *inter alia*, to rid the continent of the remaining vestiges of colonisation and apartheid; to promote unity and solidarity among African States; to coordinate and intensify cooperation for development; to safeguard the sovereignty and territorial integrity of member states and to promote international cooperation within the framework of the United Nations. It should be noted that while recognising the historical and colonial roots of African underdevelopment, Africa's future is its own hands- the hopes of Africa's peoples for a better life can no longer rest on the magnanimity of others. NEPAD has as one of its foundations, the expansion of democratic frontiers and the deepening culture of human rights (Kanbur, 2002:90).

The OAU provided an effective forum that enabled all member states to adopt coordinated positions in international fora on matters of common concern to the continent and effectively to defend the interests of Africa. Through the OAU Coordinating Committee for the Liberation of Africa, the

continent worked and spoke as one with undivided determination in forging international consensus in support of the liberation struggle and the fight against oppression and discrimination.

The general rationale for economic integration must have influenced the heads of state and governments, when, in 1981, they adopted the Lagos Plan of Action (LPA). In that Declaration they called for African economic integration and directed that sub regional blocks be established as a first step towards the eventual integration of African economies. Virtually all the sub regional integration institutions see their mandate in terms of the development of intra-African trade (Ojo, 1996:120).

As more and more African countries attained their independence, it became evident that there was a need to amend the OAU Charter to streamline the organisation. An Extraordinary Summit of the Assembly of Heads of State and Government of the OAU was held in Sirte in September 1999 to amend the OAU Charter as well as to increase the efficiency and effectiveness of the OAU.

The Summit resolved (resolution 6) to effectively address the new social, political and economic realities in Africa and in the world in order to cope with the challenges facing the continent. African leaders expressed their determination to fulfil the citizens' aspirations for greater unity in conformity with the objectives of the OAU Charter and the Treaty establishing the African Economic Community (AEC) in pursuit of strategies to meet these challenges.

The Summit also resolved (resolution (8)(ii)(c)) that the Heads of State should strengthen and consolidate the Regional Economic Communities (RECs) as the pillars for achieving the objectives of the AEC and realising the envisaged Union. The leaders remained convinced that the OAU needed to be revitalised in order to be able to play a more active role and

to continue to be relevant to the needs of the people and responsive to the demands of the prevailing circumstances. The African leaders also continued to express their determination to eliminate the scourge of conflicts, which constitute a major impediment to the implementation of the continent's development and integration agenda.

The decision to establish the African Union, in conformity with the ultimate objectives of the Charter of the Organisation of African Unity and the Treaty establishing the African Economic Community, was adopted at the Fourth Extraordinary Session of the OAU Assembly in Sirte, the Great Socialist People's Libyan Arab Jamahiriya, on 9 September 1999. This was later followed by the establishment of the African Union through the Constitutive Act, which was adopted and signed by 53 Heads of State of the member states of the OAU in Lomé, Togo, on 11 July 2000.

Since then, four Summits have been held, leading to the official launching of the African Union. The establishment of the AU was declared on 2 March 2001 at the Second Extraordinary Summit in Sirte. The advent of the African Union (AU) can be described as an event of great magnitude in the institutional evolution of the continent.

According to Article 3 of the Constitutive Act, the objectives of the AU are, among others, to:

- achieve greater unity and solidarity between African countries and the peoples of Africa;
- defend the sovereignty, territorial integrity and independence of its member states;
- accelerate the political and socio-economic integration of the continent;
- encourage international cooperation; and
- promote peace, security and stability on the continent.

The fact that 53 member states are involved poses a further inter-governmental challenge. To this end, the effectiveness and the efficiency of public service delivery by the institutions of the AU, such as the Secretariat, will largely depend on the relationships amongst the member states and the inherent administrative capacities already built. Effective inter-governmental relations are thus a key requirement for effective and efficient public service delivery (Thornhill *et al.*, 2002:8).

It is for this reason that senior officials must be appropriately skilled in order to produce Rules of Procedure for adoption by the AU Assembly in terms of Article 8 of the Constitutive Act. They must be skilled to deal with the challenges brought about by the difference in the priorities and level of development of the various member states within the AU.

4.3 The vision of the AU

The AU is Africa's premier institution and principal organisation for the promotion of accelerated socio-economic integration of the continent, which will lead to greater unity and solidarity between African countries and peoples. According to President A. Wade of Senegal, new and courageous forms of democratic governance are sweeping across Africa. Africa's leaders are bringing new hope and opportunities to their people (United Nations Development Programme, 2002:86).

The AU is based on the common vision of a united and strong Africa and on the need to build a partnership between governments and all segments of civil society, particularly women, youth and the private sector, in order to strengthen solidarity and cohesion amongst the peoples of Africa. As a continental organisation it focuses on the promotion of peace, security and stability on the continent as a prerequisite for the implementation of its development and integration agenda.

Flowing from the above vision, the NEPAD initiative was born. This is an initiative by African leaders to address Africa's recovery from its worsening economic underdevelopment and to promote sustainable development in a globalising world. NEPAD is a vision for the continent, a framework and a programme within which others act, such as member states, the RECs, the continental institutions and regional partners. According to the Prime Minister Meles Zenawi of Ethiopia, economic integration is an imperative if Africa is to achieve accelerated development. It is the premier political and economic challenge that Africans are facing (The Third African Development Forum, 2002:3).

Positive achievements in the development and implementation of NEPAD thus far, such as the creation of conditions conducive for sustainable development and carrying forward the agenda in priority sectors, were welcomed. These positive developments include the setting up of the implementation framework (including the AU organs, NEPAD structures, and the RECs), the operationalisation of the APRM, the resolution of various instances of conflict and instability in Africa, and the development of key sectoral action plans and strategies. Further, the identification of priority programmes and projects in various fields, the mobilisation of human, institutional and financial resources in support of implementation, and the mobilisation of the entire international community in support of the implementation of NEPAD have shown encouraging progress.

The Constitutive Act (hereinafter referred to as "The Act") replaces the Charter of the Organisation of African Unity. However, the Charter remained operative for a transitional period of one year or such further period as may be determined by the Assembly, following the entry into force of the Act, for the purpose of enabling the OAU to undertake the necessary measures regarding the devolution of its assets and liabilities to the African Union and all matters relating thereto.

Upon the entry into force of the Constitutive Act, all necessary measures shall be undertaken to implement its provisions and to ensure the establishment of the organs provided for under the Act, in accordance with any directives or decisions which may be adopted in this regard by the parties thereto within the transitional period stipulated above. A challenge that can immediately be discerned is the administrative capacity required to manage these transitional arrangements.

The provisions of the Constitutive Act take precedence over and supersede any provision contrary to or inconsistent with the Treaty establishing the African Economic Community (AEC). According to Article 4 (1) of the said Treaty, the objectives of the Community shall be to:

- promote economic, social and cultural development and the integration of African economies in order to increase economic self-reliance and promote endogenous and self-sustained development;
- establish, on a continental scale, a framework for the development, mobilisation and utilisation of the human and material resources of Africa in order to achieve self-reliant development;
- promote cooperation in all fields of human endeavour in order to raise the standard of living of African peoples, maintain and enhance economic stability, foster close and peaceful relations among member states and contribute to the progress, development and the economic integration of the Continent; and
- coordinate and harmonise policies among existing and future economic communities in order to foster the gradual establishment of the Community.

The United Nations Economic Commission for Africa (UNECA) started an initiative called The African Development Forum (ADF). The purpose of this initiative was to present the key stakeholders in Africa's development

(governments, civil society, the private sector, researchers and academics, inter-governmental organisations and donors) with current research and opinion on key development issues. There is a need to draw shared goals and priorities which are time-bound and country-specific action plans, around which donor support is mobilised. Mechanisms are in place for African countries and the ADF to monitor and follow agreed upon actions at country level in support of NEPAD.

AU member states should engage in a coalition-building and consensus-building exercise. The success of the implementation of NEPAD will depend on the active engagement of the broadest and deepest possible range of interests within Africa as they interact with the international donor community.

The role of the African Union in the promotion of regional cooperation and economic integration should be understood within in the context of Public Administration. Public officials are required to advise politicians about decisions and policies to develop, are themselves the implementers of policies that the governments of the AU formulate. In this sense, frequent reference will be made to the discipline of Public Administration, without which the analysis will be incomplete. Sound public management is indispensable to sound promotion of inter-governmental relations by organisations such as the AU.

4.4 Challenges facing the AU

In order to better address the challenges lying ahead of the AU (including playing a meaningful role in facilitating regional cooperation and economic integration) and other institutional problems, administrative capacity should be built within the AU. The objective of this should be to increase the efficiency and effectiveness of AU policies and programmes (in

particular, NEPAD) and to implement a more coherent and better coordinated strategy to eliminate poverty on the continent.

The first challenge for the AU was setting up its priority structures and laying down the groundwork for the rest of its proposed structures, as provided in the Constitutive Act (2000). These structures have to be functional and effectively operational as soon as possible if the NEPAD objectives are to be realised.

There are various challenges to the African cooperation and integration agenda posed by the prevailing economic and social development framework. Examples of these challenges are to overcome the underdeveloped structure of the regional economy, to improve macroeconomic performance, political and corporate governance and thus to unlock the untapped potential that lies in the region's human and natural resources. In summary, the main challenge facing the AU is the development of an economic, political and social environment conducive to regional integration, economic growth, poverty eradication and the establishment of a sustainable path of development. The challenge of the regional development framework for cooperation and integration in Africa remains more acute than ever before if the goals of NEPAD are to be achieved. According to Article 3 (f) of the Constitutive Act (2000), the objective of the AU is to encourage international cooperation, taking due account of the Charter of the United Nations (1945) and the Universal Declaration of Human Rights. More details of the challenges facing the AU are discussed in the subsections that follow.

4.4.1 Harmonisation of policies and legislation

African countries have different histories and geographical conditions, different stages of economic development, different sets of public policies and different patterns of internal and international interaction.

No independent African State commenced its legislative, executive and judicial system on a clean slate. Various historical considerations shaped the composition of each state. Therefore, the structures, systems and relationships in one state cannot be simply be transferred to another state (Thornhill *et al.*, 2002:10).

The differences in procedures and protocols among countries within the AU should be harmonised and aligned in order to ensure ratification and accession to the Constitutive Act (2000), especially by those African countries that are not members of the AU or current member states. The path to the re-invention of a viable nation state project in Africa must involve the negotiation of a new social and national bargain, which takes full cognizance of ethnic, linguistic, cultural and religious diversity, the requirements of social equity, and the importance of effective and efficient public institutions within a democratic framework that is fully representative (Olukoshi & Laakse, 1996:11).

In pursuing these endeavours, the establishment of the AU was inspired by the ideals which guided the founding fathers of the AU and generations of Pan-Africans in their resolve to forge unity, solidarity, cohesion and cooperation between African people and among African States. Economic emancipation, political independence and human dignity of the African people cannot be postponed.

According to The Third African Development Forum (2002:9), other important reasons for Africa's limited success in achieving integration were said to include the:

- failure of all African countries to achieve significant structural economic transformation;
- lack of capacity to generate momentum for development and withstand external shocks;

- absence of a shared regional political vision, values and stability;
- lack of a people-centred integration process;
- over-concentration on the choice and structure of institutions instead of focusing on the substantive issues; and
- proliferation of institutions with overlapping mandates and tasks.

According to Article 3 (I) of the Constitutive Act (2000), one of the objectives of the AU is to coordinate and harmonise policies between existing and future Regional Economic Communities (RECs) for the gradual attainment of other objectives of the Union. It is imperative, therefore, that the AU as part of developing a global partnership for development, further opens up trade and financial systems that are rule-based, predictable and credible. This should focus on convergence of macroeconomic, monetary, fiscal, trade and exchange policies, including the harmonisation of national and integration targets and supporting policies. Trade and economic liberalisation for deeper integration and poverty eradication is one of its key catalytic intervention areas. The pursuit of this intervention area would lead to the establishment of a common African market.

4.4.2 Sovereignty

According to Article II (c) of the OAU Charter, the purpose of the organisation is to defend the sovereignty, territorial integrity and independence of member states. Despite the sovereignty of member states, the AU may intervene in their affairs. Law observance will have a different importance in the foreign policy of different nations and even of the same nation at different times (Henkin, 1979:53).

The AU has a policy of non-interference in the affairs of member states. Nevertheless, it firmly asserts a common duty to intervene to prevent such horrors as the 1994 Rwanda genocide, as well as to respond to the

need to restore political order and maintain peace on the continent, in the interest of the African masses. According to President T Mbeki during his speech at the African Mining Indaba in Cape Town on 12 February 2002, despite the respect for sovereignty, it cannot be used as a barrier behind which African governments can hide and do what they like (Olivier, 2003:819).

The mere fact that states with a capacity for regular international action refer to themselves as sovereign, does not, in itself, mean very much. It might be that the popularity of the phrase "sovereign state" in official circles is partly due to its psychological value. If a state is receiving unwelcome attention from another state or an international organisation, the mention in a speech or reference of the need to defend its sovereignty can solicit hostilities. It is advisable for states to refrain from any hostilities with their neighbours in order to promote stability, especially within the context of the AU and NEPAD.

Article 2 of the Charter of the United Nations lists principles by which the organisation and its members shall act. The same principles apply to the AU and its member states:

- The organisation is based on the principle of sovereign equality of all its members.
- All members, in order to ensure to all of them the rights and benefits resulting from membership, shall fulfil in good faith the obligations assumed by them in accordance with the present Charter.
- All members shall settle their international disputes by peaceful means in such a manner that international peace and security, and justice, are not endangered.
- All members shall refrain in their international relations from the threat or use of force against the territorial integrity or political

independence of any state, or in any other manner inconsistent with the purposes of the United Nations.

- All members shall give the United Nations every assistance in any action it takes in accordance with the present Charter, and shall refrain from giving assistance to any state against which the United Nations is taking preventive or enforcement action.

Nothing contained in the United Nations Charter authorizes the intervention in matters which are essentially within the domestic jurisdiction of any state nor requires the member states to submit such matters to settlement. This element of freedom and self-responsibility of member states embraces the essence of sovereignty.

4.4.3 Good governance

The Western world has always viewed the African continent as plagued by corruption, dictatorship, military coups, rebellious leaders, greediness, misuse of power, and incompetent, politically unstable leaders - in effect, suspicious leaders who undermine their own democracies. Many brilliant minds left the continent in search of greener pastures and this further weakened the administrative capacity on the continent (Masango, 2002:707-718).

Transparency, accountability and administrative efficiency are challenges facing Africa in the drive towards good governance. Governments must provide an environment in which individuals feel protected, civil society is able to flourish, corruption is rooted out, and governments carry out their responsibilities effectively and transparently, with adequate institutional mechanisms to ensure accountability and good governance. Establishing and strengthening the legal framework, namely the rule of law, and respect for it, are critical. The continent should ensure institutional effectiveness, legislative proficiency, law enforcement capacity, effective

service delivery, economic management capacities and public availability of information on the working of government.

Good governance is not something that is strange to Africa. It is something that needs to be rediscovered in Africa. There is much that doesn't have to be imposed from outside because it's already part of society, particularly in rural Africa. Africa does not start as a desert, but as a place that had a good sense of governance that worked very well in respect of moral values, familial values, and organisation of everything from family to the conduct of war, which in a way was polluted by external intrusions.

Transparency International has produced a list of select nations around the globe. African countries score poorly by the given criteria. African governments have acknowledged and accepted that corruption must be rooted out. At the same time it remains true that insufficient attention is placed on an important source of corruption in the modern world - those who provide the inducements in the first place. Good economic governance and the promotion of sound ethics and probity is not only the responsibility of states. Multinationals, corporations, states themselves and business generally, must desist from offering bribes, from promoting bribery and employing economic coercion in attempts to improve their chances of winning tenders or contracts. They should resist the temptation, as well, to foist policies and programmes on others in an apparent desire to promote development, when in fact they boost the interests of their own better-off constituencies. For, in such situations, it is not relationships that are built and encouraged, but rather contempt and ridicule for both parties at the end of the day.

One of the critical requirements for effective regional cooperation and ability to attract investments into Africa in support of NEPAD is sound administration. This implies that Africa must ensure not only that

sufficient administrative capacity is built, but also that integrity, uprightness and corruption-free administration are pursued.

NEPAD is founded on a hard-headed assessment of the political and socio-economic realities in Africa today. The view that NEPAD's success and Africa's regeneration depend likewise on a hard-headed approach to country-to-country relations, to the adoption of solid business plans and partnerships, and to the continuation of dedicated work towards greater cooperation and understanding between the people of Africa, should be supported.

To attract the required capital inflows to support NEPAD, thereby accelerating sustainable development in Africa, urgent actions are required to establish mechanisms needed for the immediate implementation of NEPAD in its totality. This implies clear resource commitments, including financing, technology partnerships and human and institutional capacity building at the regional, sub-regional, national and local levels. Africa's regionalisation must be seen as a step towards globalisation, as a means of better enabling Africa to meet the challenges of competing in the global economy. The process has placed strains on important economic sectors and there will be losers as well as winners. Therefore, what is needed are institutions and mechanisms to deal with the asymmetric impact of integration, as well as widespread political instability and persistent conflicts.

The attainment of peace and stability should be pursued through sound governance based on democratic values and principles. There is a need for political commitment if Africa is to survive. Sustainable development in the African community has remained elusive for many decades. Most countries on the continent continue to be marginalized and negatively impacted upon by globalisation.

The history of integration runs parallel to the history of building strong multi-state institutions. Almost all of the challenges facing Africa – certainly the regional trade and investment issues – require stronger and more financially viable sub-regional and regional organisations, backed by expert knowledge and understanding of the global economy (The Third African Development Forum, 2002:4).

4.4.4 Partnership with civil society

In order to achieve the social and economic regeneration and development of the continent, the all-important issue of poverty alleviation, through sustained people-centred development, must be vigorously pursued, so as to provide an improved quality of life for all Africa and her people. The engine for poverty alleviation and people-centred development is the economy.

According to Article 3 (h) of the Constitutive Act (2000), one objective of the AU is to promote democratic principles and institutions, popular participation and good governance. Active involvement of African non-governmental organisations (NGOs), socio-economic organisations, professional associations and civil society organisations is required in Africa's integration process, as well as in the formulation and implementation of programmes of the AU. The culture of collective action in Africa and in the relations with the rest of the world also becomes important. Development of new forms of partnerships at all levels and segments of societies, between segments of societies, business and governments and between governments should be promoted. Businesses must approach their relationship with NEPAD as partners.

The governments of Africa should be urged to incorporate civil society into the NEPAD implementation project, to ensure that the project remains people-centred. Participation by the residents of both slums and rural

areas would ensure that governments are committed to a public-private partnership, in line with national development agendas. Everybody in civil society should come on board the NEPAD train. However, confidence in the NEPAD programme should be earned, in that NEPAD should be a transparent process that is characterised by full disclosure on how procured funds are applied.

Designed by Africans for Africans, the NEPAD initiative seeks a coordinated effort among Africans leaders and society alike to implement the NEPAD policies within a climate of joint responsibility and accountability (Kotze & Steyn, 2003:11). African peoples should take up the challenge of mobilising themselves in support of the implementation of the NEPAD initiative by setting up, at all levels of civil society, structures for the organisation and mobilisation of NEPAD's objectives (NEPAD, 2001:12).

The current development backlog in Africa presents a huge opportunity for both African and international private sectors to partner with governments within the frameworks established by Africans. The private sector uses their own resources in terms of project design to leverage further support from cooperating partners and could play a role in preparing projects to be implemented in Africa. The private sector could also enhance the capacity of the NEPAD Secretariat to ensure project preparation and implementation.

There is a definite role for the private sector to play in the implementation of the NEPAD programme. Furthermore, the positive multiplier effect associated with the implementation of projects utilizing private sector funding should not be underestimated. Although the private sector's partnership with governments within the continent is welcomed, they need to operate within the framework and mechanism already created by governments. There is a need to engage with the private sector in a

structured manner in order to ensure alignment with existing initiatives within the continent. The role of the governments of Africa should determine the type of assistance required as informed by local needs. The private sector can add value in terms of responding to these needs.

The MDGs (see Section 4.4.9) present a huge challenge for us in Africa and governments cannot reach the MDGs challenge alone. They have to partner with the private sector. Public-private partnerships must, however, be underpinned by equity in terms of relations within the North-South framework of cooperation and initiatives should be biased towards addressing the needs of the poor.

The relationship among the private sector, civil society and government must be based on mutual respect and trust. Public-private and public-public partnerships (PPPs) must be tailored within existing institutional arrangements, such as the NEPAD Secretariat, as endorsed by African heads of state. The creation of structures such as the NEPAD Business Foundation at national level in South Africa should also be encouraged. The NEPAD Business Foundation is an attempt by business to take up the opportunities presented by the implementation of NEPAD projects to address the MDGs. This will ensure that business speaks with one voice and in a structured manner.

The NEPAD Secretariat was established to coordinate all the development activities in Africa and such institutional mechanisms should be respected. Africa is richly endowed with natural resources but the challenge of local beneficiation is still to be met. The common element to justify public-private partnerships is often understood as the inability of either sector to provide all the means for development on their own. Perhaps it is better to consider that public-private partnerships are a natural way of cooperating in modern times, because the problems that confront Africa collectively

have become so enormous that unless there is unity, the NEPAD objectives will not be realised.

4.4.5 HIV/AIDS

Lessening the effects of the HIV/AIDS pandemic presents a threat to all the developmental gains already enjoyed by Africa. If NEPAD is to accomplish its objectives, then the war against HIV/Aids and communicable diseases should be intensified.

The huge burden of disease and suffering in Africa is not only compromising health, but also the AU/NEPAD goal of sustainable socio-economic development on the continent. For this reason, the AU calls for a strengthened commitment to health by both Africans and development partners. Africa's burden goes beyond HIV and AIDS and efforts must also reinforce measures against other communicable diseases, such as malaria and tuberculosis, non-communicable diseases of lifestyle and also the loss of life related to childbirth. This burden will not be overcome unless health systems in Africa function effectively. Therefore the dialogue has identified actions aimed at strengthening countries' health systems and services and for addressing the crisis that faces the continent in terms of human resources for health. The effective functioning of health systems requires a cadre of public administrators who have the skill to develop implementable policies to ensure that the citizenry benefit from such systems. The importance of growing African expert capacity in this field has been emphasized.

Africa should adopt regional approaches to challenges of continental interest. These challenges include: science and technology, education and research, and food security planning and response. In this context, a point of focus will be to explore avenues for proactively using regional integration frameworks to address challenges to development such as

HIV/AIDS and other infectious diseases, riparian issues and environmental questions.

There is no sense in having economic growth in a country where the people die, and where people who are intended to occupy positions of authority are lost to HIV/AIDS. The question of HIV/AIDS presents a challenge that can topple any government. On the other hand, good governance and good organisation in all spheres will contribute to making a difference in the fight against AIDS.

4.4.6 Globalisation

There is a need to establish a global initiative to support national plans of African countries to regenerate their agricultural sectors thereby contributing to food security and poverty eradication. Support for this initiative should involve all relevant actors, including governments, international organisations and institutions at all levels, non-governmental organisations and the private sector.

The relationship of interdependence, however, is not a symmetrical one. Using the figures for merchandise trade as a simple indicator reveals that the 23 high-income economies, according to World Bank classification, are much more important, overall, for world market demand than are the 109 low and middle income economies. The former group of countries, in 1992, accounted for more than 78 percent of the world totals for both exports and imports (World Bank Report, 1994:186).

Another way of assessing the extent to which interdependence is asymmetrical is to study production figures and data for the average propensity to import and then, based on these figures, to consider the impact of an increase in production in one group of countries upon another group. Such calculations indicate that a one percent increase in

the production of high-income economies would lead to a much higher increase in demand for developing countries' exports than would follow from a one percent increase in the production of low-income countries.

Another form of interdependence is connected to the supply of goods. The main point here is that industrial countries are in many areas dependent on products from developing countries. There are many things which cannot be produced in industrial countries unless they have access to certain raw materials and other goods from developing countries. A corresponding dependence on industrial countries applies to developing countries (Martinussen, 1997:71).

4.4.7 Promotion of peace, security and stability on the continent

A stable Africa is crucial for realising growth and development. In recent times, there has been a concerted effort amongst several African leaders to engage in developing durable solutions to bring peace and stability to the continent. Several countries that experienced high levels of instability and civil strife have moved towards democracy and good governance and are creating a peaceful and enabling environment for growth and development.

Conflict is a major cause of poverty and economic decline. It consumes resources and kills people; it destroys assets and displaces populations. It undermines democracy and good governance. Conversely, poverty also contributes to conflict. Inadequate access to resources is one reason why excluded groups turn to violence. Therefore, peace and security on the one hand and sustainable development, improved governance and poverty alleviation on the other are symbiotically linked and promote each other (The Third African Development Forum, 2002).

NEPAD has quite rightly highlighted the resolution of conflict as one of its priorities. It was estimated that up to as much as 20 per cent of the people of Africa were living in conditions of conflict. Such conflict caused terrible suffering and retarded economic development in the affected countries. Indeed, in Africa the extent of conflict was so great that the whole continent was affected, and the level of conflict created a major barrier to inward investment. The World Bank estimates that conflict is costing every African country 2 per cent of its economic growth every year. Financing for productive activities in Africa is severely constrained by a perception that the region is highly risky (World Bank Report, 2001:68).

Article 52(1) of the United Nations Charter states that "Nothing in the present Charter precludes the existence of regional arrangements or agencies for dealing with such matters relating to the maintenance of international peace and security as are appropriate for regional action provided that such arrangements or agencies and their activities are consistent with the purposes and principles of the United Nations". This is corroborated by Article 3(g) of the Constitutive Act (2000) according to which the objective of the AU is to promote peace, security, and stability on the continent.

The AU is responsible for the peaceful resolution of conflict among member states, through such appropriate means as may be decided upon by the Assembly, which may give directives to the Executive Council on the management of conflict, war, acts of terrorism, emergency situations and the restoration of peace. Apart from the Assembly and the Executive Council, the other principal organ responsible for peace, security and stability will be the Central Organ of the Mechanism on Conflict Prevention, Management and Resolution.

The first Standing Conference of Heads of State and Government on Security Stability, Development and Cooperation in Africa (CSSDCA) took place during the 38th AU Summit in Durban in July 2002. The Summit approved the CSSDCA Memorandum of Understanding (MoU) on Security, Stability, Development and Cooperation, affirming the centrality of the CSSDCA process as a policy-development forum, a framework for the advancement of common values, and a monitoring and evaluation mechanism for the AU. The development of the Common African Defence and Security Policy was mandated at the same summit. A framework was developed for consideration and approval by Ministers of Defence and Security.

While the strategic focus of the CSSDCA process is to ensure good governance in the political and economic realm, as well as to provide the framework for security and stability in Africa, NEPAD serves as the socio-economic development blueprint for the AU to implement its objectives. In addition, it serves as the mechanism for accelerating the implementation of the Abuja Treaty. At the same time, its management structures are particularly designed to ensure follow-up and implementation in the transition phase from the OAU to the AU. For industrialised countries, development in Africa will reduce the level of global social exclusion and diminish a major potential source of global instability (Olivier, 2003:822).

There is a clear link between peace and development. There can be little sustained development and growth in conditions of instability and conflict. This is vital for the implementation of the NEPAD programme, which therefore depends strongly on the effectiveness of the CSSDCA.

More resources are used to finance wars than development. If Africa is as poor as is perceived, where do they obtain the resources to procure state of the art machine guns? Who is financing Africa for its own destruction? Who is bribing the allegedly poor and corrupt Africans? The peace and

security architecture should address post-conflict transformation issues and bridge the gap between conflict and normative development.

Security and stability are vital ingredients for effective integration at national, regional and continental levels. Africa should become a safe continent, free of weapons of mass destruction and free of all threats and undue hostilities. The establishment of peace and security will not only lead to the reduction of defence expenditure, but will provide an opportunity to redirect these resources towards raising the level of production and services, augmenting the living standards of the citizens, creating jobs and pursuing the attainment of economic growth and development.

The revitalisation of the continent to play a more active role in addressing the needs of the people through the elimination of the scourge of conflict currently plaguing Africa, cannot be deferred. The challenges ahead, although substantial, are achievable. The question of financing an AU version of the European Union's social funds was addressed, with many participants of the opinion that it would prove too expensive for Africa (The Third African Development Forum, 2002:12).

At the same forum, El-Agraa said it was imperative for the AU to attract foreign investment, which is the only way to bring about cohesion. In order to attract such investment, it is important to establish strong institutions, which would command investor confidence. Salim Ahmed Salim, former Secretary-General of the OAU, indicated that there was a "symbiotic linkage between peace and security on the one hand, and the process of African integration on the other hand." He said that even though peace was not prevailing in many areas of Africa at the moment, this should not be seen as cause for pessimism, but rather as the impetus for establishing more effective institutions (*ibid*). According to Dr Salim, Africa has several peace and security organs, principally led by RECs, and

these should not be dismissed as irrelevant. He stressed three issues that prevent RECs from functioning optimally:

- resources, including having to rely on donor funding;
- synergy between conflict management structures, both vertically and horizontally; and
- no early warning system (*ibid*).

It is the realisation of the scope of armed conflicts and the implications for development on the continent that has resulted in a determination by African leaders to resolve these conflicts through peaceful means. Negotiated settlements are being preferred to the use of force and military measures. All over the continent, regional, continental and international initiatives are making concerted attempts to resolve existing conflict situations. Sustained efforts are being promoted to foster the elements necessary for stability and security.

Meaningful economic activity is impossible under conditions of armed conflict. Furthermore, peace is inhibited by states that are either captured by narrow private interests, or are lacking in capacity to deliver on their development mandates. While commitments to peace and security, democracy, human rights and sound economic governance must be seen as pre-conditions for a programme of Africa's renewal, there will continue to be the need for constant vigilance, consolidation and the strengthening of capacity. Of crucial importance to the rest of the world is the establishment and protection of a political order and systems of governance that are legitimate, enjoy the support and loyalty of the African people, and are able to engage effectively with various global processes that characterise the world economy.

If peace and security are to lead to sustained growth and development, it is of the utmost urgency that the capacity of the state to fulfil its

responsibilities is strengthened. These responsibilities include poverty eradication and development, entrenching democracy, popular participation, human rights and the respect for the rule of law, creating a conducive environment for private sector mobilisation, and responding appropriately to the process of globalisation. The average GDP per capita for Africa, based on the Producer Price Index during 1998 was 1.9%, which is very low. For example, 88% of the population in Guinea and 85% in Zambia survived on less than one US dollar per day between 1984-1999 (World Bank Report, 2002:310).

Article 55 of the Charter of the United Nations states that, "***with a view to the creation of conditions of stability and well-being which are necessary for peaceful and friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples***", the United Nations shall promote:

- higher standards of living, full employment, and conditions of economic and social progress and development;
- solutions of international economic, social, health, and related problems;
- international cultural and educational cooperation; and
- universal respect for, and observance of, human rights and fundamental freedoms for all without distinction as to race, sex, language, or religion.

Similarly, according to Article 3(i) of the Constitutive Act (2000), the objective of the AU is to promote and protect human and peoples' rights in accordance with the African Charter on Human and Peoples' Rights and other relevant human rights instruments.

Africa must move out of an era of conflict and confrontation, to one of peace, security and stability, which remain prerequisites for cooperation and development. African leaders must build all the institutions necessary

to strengthen political, economic and social integration of the African continent. They must entrench the culture of collective action in Africa and in relations with the rest of the world.

4.4.8 Fostering unity within Africa

According to Article II(a) of the OAU Charter, the purpose of the Organisation is to promote the unity and solidarity of African States. This is corroborated by Article 3(b) of the Constitutive Act (2000), according to which the objective of the AU is to achieve greater unity and solidarity between African countries and the people of Africa.

There is a growing need to effectively address the new social, political and economic realities in Africa and in the world through the fulfilment of the people's aspirations for greater unity. The AU provides an opportunity to rekindle political commitment to Africa's unity. It also places the challenge of stepping up the pace of regional integration at the forefront of the continent's agenda. It obliges Africa's leaders, at all levels, to consider how to seriously transform current, important but limited integration processes, into more far reaching and effective continent-wide instruments for economic and political unification (The Third African Development Forum, 2002:4).

It should be accepted that the shape and course of NEPAD, its effect and impact on Africa's people as a whole, will be determined by the extent of active and forceful participation and engagement by Africans. It is only through such communion with every single element of its plans of action, that Africans will be able to ensure that the Plan for Africa's Development does not become hijacked and turned into a nice plan for some others' further enrichment and continued development. Thus Africans cannot take for granted the profound statements, beliefs and commitments contained in the founding declarations of NEPAD or indeed of the African Union.

The effective implementation of NEPAD requires the establishment of conditions for sustainable development (inclusive of peace and security, improved governance, respect for human rights, and so on). The integration of the regional economic communities will enhance the opportunities associated with increased market access and economies of scale. This will assist in mobilising domestic resources to leverage resources from outside the continent. Such resources could be applied towards the financing of projects within the priority sectors.

On the face of it, these requirements sound quite straightforward. However, the reality is different. Not only is Africa's massive vastness matched by its myriad cultural, religious, economic, social and historical diversity; but the depth of the challenges facing individual countries varies considerably. The experience of each country sometimes teaches different lessons, and whilst some commonalities exist between colonial experiences, de-colonisation and liberation wars have produced various outcomes. As a NEPAD document states: No African country is an exact replica of another. However, these differences present an opportunity for cross fertilisation in ideas and a basis for viable exchanges.

African countries have always been desirous of unity, economic and social development within the continent. A few instruments can be cited to corroborate this assertion, namely:

- The Lagos Plan of Action (LPA) and the Final Act of Lagos (1980): incorporate programmes and strategies for self reliant development and cooperation among African countries;
- The Treaty establishing the African Economic Community (AEC) (1991): commonly known as the Abuja Treaty, seeks to create the AEC through six stages culminating in an African Common Market using the Regional Economic Communities (RECs) as building blocks. The Treaty has been in operation since 1994.

Another aspect of continental unity is to develop a strategy to bring back the expertise that has left the continent. Africans in the diaspora are located in all professions, at all levels, around the world and are engaged in the professions such as teaching, education and research, finance, investments, economics, public health, engineering, agriculture, information technology, legal services, administration and the natural sciences. All these are sectors from which continental Africa can benefit greatly.

4.4.9 Millennium Development Goals (MDGs)

In September 2000, 191 countries adopted the Millennium Development Goals (MDGs) — targets for eradicating poverty and other sources of human deprivation, as well as for the promotion of sustainable development. Two years later, at the Conference on Financing for Development, which was held in Monterrey, Mexico, leaders from developed and developing countries reached an agreement on the MDGs, elevating them from commitments to a formal agreement. The elevation of commitments to a pact is a crucial step forward for the attainment of the MDGs, because it indicates the seriousness of the global poverty problem and the need to eradicate it. According to the pact, developing countries are to improve their domestic policies and governance structures, and developed countries are to increase their support, especially by opening up access to their markets and providing more and better aid. The target date for the achievement of the MDGs is 2015 — less than a decade away. In particular, according to the President of the World Bank, James D. Wolfensohn, the World Development goal is to “*halve the number of the people living in poverty by 2015*” (World Bank Annual Report, 2001:3).

Other agreed goals necessary for the achievement of this aim were that all children should be in primary education, infant and child mortality should be cut by two thirds, and maternal mortality by three quarters - all by 2015. These agreed MDGs were carefully chosen, in the sense that these targets are achievable. However, they are not simply a description of present trends. Reaching them will require a significantly increased partnership in the development effort between Africa and the whole international community.

It should be noted that for developing countries, particularly the least developed countries (LDCs), the ODA is the main source of external funding. Substantial new and additional funding for sustainable development and implementation of Agenda 21 will be required. Developed countries committed themselves to reaching the United Nations target of 0.7% of GNP for ODA and, to the extent that they have not reached the target, agreed to augment their aid programmes in order to reach the target as soon as possible and to ensure effective implementation of Agenda 21. It was resolved that the Commission on Sustainable Development will monitor progress towards this target (Earth Summit- Agenda 21 1992:250).

In Africa, the MDGs find expression in the Strategic Plan of the African Union Commission, which was published in May 2004 and submitted to the policy organs of the AU in July 2004. This plan states that it is necessary for Africa to become more competitive in the global economy if the continent is to attain the social and economic objectives defined by the MDGs. Obstacles are, among others, political instability, corruption and the difficulty in consolidating democracy — factors that contribute to the poverty trap of many least developed countries (LDCs).

According to (World Bank, 2002:3), the following Millennium Development targets were agreed upon at the Millennium Summit in September 2000:

1. Eradicate extreme poverty and hunger;
2. Achieve universal primary education;
3. Promote gender equality and empower women;
4. Reduce child mortality;
5. Improve maternal health;
6. Combat HIV/AIDS, malaria, and other diseases;
7. Ensure environmental sustainability; and
8. Develop global partnerships for development.

The first seven goals are mutually reinforcing. The last goal of global partnership for development is about the means to achieve the first seven. Poorer countries will require the rich countries to provide funding to fight poverty (World Bank, 2002:3).

In the MDGs, a series of goals agreed to by all the African leadership was set. There was consensus that developing countries should build capacity, deal with the issues of legal and judicial reforms, deal with financial sector reforms and combat corruption. These four points, interestingly, were at the base of the NEPAD statements by the African leadership, not imposed by anybody else regarding what should be done in Africa.

There is a need to accelerate economic development in Africa if the MDGs are to be realised, particularly the goal on poverty eradication. NEPAD will be judged by progress towards the MDGs, which means that economic development on an unprecedented scale is required. NEPAD is committed to joining forces with business, civil society and cooperating partners to ensure this occurs and that all role players honour their commitments under NEPAD.

African countries should be assisted to build the requisite capacity and infrastructure to enhance their ability to optimise benefits from globalisation by improving access to information and communication

technologies. This will enhance the industrial productivity and competitiveness of these countries through the promotion of technology development and transfer to Africa. Further positive multiplier effects on Africa will be strengthening the support of the international community for Africa's implementation of NEPAD's peace and security, democracy and good governance initiatives; providing financial and technical assistance; and strengthening the capacities of African countries, including institutional capacity, for the assessment, prevention, management of and preparedness to deal effectively with natural disasters and conflicts.

4.4.10 Debt relief and sustainable debt financing

In order for the AU to meet the Millennium Development Goals agreed to during the World Summit on Sustainable Development held in South Africa in September 2002, one of the challenges remains the high level of indebtedness by Africa. Likewise, this was a challenge for the conceptualisation of NEPAD. Without debt relief for the highly indebted poor African countries, it will difficult for NEPAD to accomplish its goals.

The level of indebtedness by some African countries undermines the progress of the continent towards economic integration. Bilateral and multilateral creditors should pursue debt relief vigorously and expeditiously, including steps to provide significant and immediate debt relief to the poorest countries. Steps should also be considered to provide, in exceptional situations and where appropriate, for a deferment of repayment periods or even for debt cancellations. Similarly, there should be continued flexibility in addressing the debt problems of low-income countries and for additional proposals to be formulated, where needed, to complement the HIPC initiative.

Debt financing is an important responsibility, for which countries have to mobilise resources for public and private investment. Many countries in

Africa, particularly countries with economies in transition, have managed debt financing effectively and expanded their levels of investment. This, in turn, has led to growth and has generated ample resources to repay the debt and support both consumption and investment expenditures. Other countries for different reasons, including domestic economic mismanagement, conflicts, natural catastrophes and external economic shocks such as terms of trade changes and international interest rate hikes, are faced with difficult, or even unbearable, debt burdens.

A major review of the HPIIC initiative took place in 1999, resulting in a significant enhancement of the original framework, and producing an HIPC initiative which is deeper, broader and faster. Under the enhanced framework, the benefits of export and central government revenue will accrue fully to the country concerned, allowing for greater investment in poverty reduction strategies (World Bank Report, 2002:362).

It is important to note that most African countries do not face a debt problem. They face a broader problem of development financing and the focus should not be on particular types of investment flows, but on the volume and flexibility of the aggregate net transfers to each country from donors. Debt relief should target the augmentation of the budget and not the cost of development assistance. In a sense, debt cancellation should be considered to address the challenges of poverty eradication and sustainable development. Countries with strong economies within Africa should be encouraged to invest in each other's economies. Low income countries require adequate grant financing, coupled with appropriate conditions of new borrowing and sound debt management capacity in order to alleviate the recurrence of excessive debt burdens.

Sustainable debt financing is an important element for mobilising resources for public and private investment. National comprehensive strategies to monitor and manage external liabilities, embedded in the

domestic preconditions for debt sustainability, including sound macroeconomic policies and public resource management, are a key element in reducing national vulnerabilities. Debtors and creditors must share the responsibility for preventing and resolving unsustainable debt situations. Technical assistance for external debt management and debt tracking can play an important role and should be strengthened.

External debt relief can play a key role in liberating resources that can then be directed towards activities consistent with attaining sustainable growth and development, and therefore, debt relief measures should, where appropriate, be pursued vigorously and expeditiously. It is important to re-establish financial viability for those developing countries facing unsustainable debt burdens. Africa should welcome initiatives that have been undertaken to reduce outstanding indebtedness and invite further national and international measures in that regard.

Due to their debt positions and their generally underdeveloped financial systems, access to official sources of funds, other than on highly concessional terms, remain limited if not inaccessible. Although largely resource-seeking FDI and project finance, associated with privatisation and public-private provision of infrastructural services have been sources for filling the savings-investment gap in these countries, they remain highly dependent on ODA for this purpose.

Most AU member states have been experiencing external debt burdens. This calls for sound regional debt management policies within the AU. The policies that have been developed so far will be evaluated on the basis of their relevance to the overall objectives of the continent, as well as the progress made so far by member states in effecting them for the development of their trade, industry, mining, finance and investment sectors.

Current policies and strategies being pursued in the region focus on export promotion, promotion of industrial linkages, import substitution, improvement of the climate for both domestic and foreign investment, facilitation of imports of essential goods, regional human development, enhancing industrial support services, equitable distribution of industrial activity and adopting flexible market oriented exchange rates. The AU must build the necessary capacity within its institutions and the continent to pursue the above areas of focus.

These policies are in line with the strategic objectives of harmonising sound macroeconomic policies and maintaining an environment conducive for both local and foreign investment; developing deliberate policies for industrialisation; and developing an economic and social infrastructure. Africa's industrial policies and strategies have contributed, to a limited extent, to the development of industry in the region. There is a need, therefore, to ensure balanced and mutually beneficial industrialisation in the region, with a focus on the promotion of industrial linkages and efficient utilisation of regional resources for the enhancement of productivity and the creation of employment opportunities across the region.

In summary, unacceptably high external debt has indeed become a key constraint to development. Debt relief is an important part of a comprehensive strategy to create the basis for sustained growth and poverty reduction. The HIPC initiative is the international response to providing comprehensive debt relief to the world's poorest and heavily indebted countries. The resources made available as a result of this debt relief initiative are a potential source of finance for the implementation of regional development programmes.

4.4.11 Effective management of Official Development Assistance (ODA)

Donor funding can be a viable source to augment the financial resources of the African countries if effectively applied. However, overdependence on donor funds should be avoided. The NEPAD programme is built on one crucial but unexamined assumption: that more aid will lead to more development (Herbert, 2005:1).

Donors should be called on to ensure that resources are provided with debt relief, without detracting from the resources that were already intended to be available for development assistance to low-income countries. Debtor countries, in parallel, should ensure that resources freed up by debt relief measures are used to support growth and poverty reduction oriented programmes and not wars. To ensure that further debt problems do not emerge, efforts should be made to improve debt management, and new financing for all low-income countries (or countries with severe limitations in their ability to pay) should be on highly concessional terms.

All creditors to developing and transition economy countries should support measures to ensure that debt financing becomes an integral part of their development efforts and not an impediment to their attainment. To complement other initiatives underway, the potential value of a mediation-type mechanism deserves particular consideration. Such a mechanism could be made available to debtor countries as an additional, voluntary option for restructuring debt from private and official bilateral creditors.

Donors have a special interest in promoting regional cooperation, as this allows them to avoid having to deal with sovereignty issues. Donors have no control over the sharing of sovereignty which is implied by regional

integration schemes. At the same time, donors do have a special role to play in the financing of infrastructural or other regional cooperation projects (Lavergne, 1997:20).

There is a growing need for an increase in ODA contributions from the North, since this will stimulate positive economic growth for the continent of Africa. NEPAD has succeeded in having agriculture and infrastructure prioritised again on the global and domestic agenda, although access to resources for implementation still remain a daunting challenge. Grant funding, if effectively applied and managed, can serve as a catalyst to regional integration during the project implementation phase. Development partners should support Africa if they truly wish the MDGs to be met. Furthermore, they must review the negative impact of some practices, such as their recruitment of African health professionals. They also need to review the architecture of development funding, because, at times, it is not conducive to the effective implementation of programmes.

International organisations should ensure that they are equipped to respond effectively to requests from developing and transition economy countries to improve their debt management systems. International financial institutions should also be encouraged to vigorously pursue efforts to enhance transparency in financial transactions so as to respond effectively to the needs of poor countries. Rich countries have the responsibility to help build capacity, with additional aid to poor countries. Wealthy countries should be encouraged to honour their commitments as currently there is insufficient aid flowing to Africa.

4.4.12 Capacity building

Sufficient administrative capacity is required to ensure the optimal institutional configuration for an accelerated regional integration process within the context of the AU. This administrative capacity is required to

operationalise the AU and valuable lessons can be drawn from the experience of other continents. This will inform the effective management of the key structures to be established under the AU, as well as their mandates and inter-relationships. In addition, it will candidly assess the requirements for rationalising sub-regional groupings and harmonising country membership in these groupings. The capacity needs, including the skills mix to effectively manage these institutions, are critical if the NEPAD objectives are to be realised.

This is the time for Africans to build their own "multinational" companies. It is not and cannot be business as usual, thus part of NEPAD's agenda is to ensure the reform of ODA to maximise efficiency and effectiveness. A key point, apart from tackling corruption at both ends of the ODA continuum, is to use African resources where they are available. For example, foreign consultants should be replaced with competent African consultants, where applicable. These are exciting times for men and women of Africa who have foresight, who have ears and eyes and who indeed are hearing and seeing. There are other things Africa must do as a continent, including the creation and expansion of employment opportunities, and building and sustaining adequate reward systems.

The organs of the AU include: the Assembly, the Executive Council, the Commission, the Permanent Representatives' Committee, Peace and Security Council (PSC), the Pan-African Parliament (PAP), the Economic, Social and Cultural Council (ECOSOCC), the Court of Justice and the Specialized Technical Committees.

The Commission is a key organ playing a central role in the day-to-day management of the AU. Among other functions, it represents the Union and defends its interests; elaborates draft common positions of the Union; prepares strategic plans and studies for the consideration of the Executive Council; elaborates, promotes, coordinates and harmonises the

programmes and policies of the Union with those of the RECs; and ensures the mainstreaming of gender in all programmes and activities of the Union.

As part of capacity building initiatives, African countries should liberalise intra-regional trade in goods and services; ensure efficient production; contribute towards the improvement of the climate for domestic, cross-border and foreign investment; and enhance the economic development, diversification and industrialisation of the continent. AU member states should encourage regional cooperation among their governments, regulators, service providers and other stakeholders to promote common business interest in the region and globally (see Chapter 3).

All obstacles to the free movement of capital, labour, goods and services should be removed. Furthermore, the improvement of the continent's economic management and performance through regional cooperation with the ultimate goal of eradicating poverty, should be fostered. One of the ways of augmenting the capacity of African countries is to pool resources in pursuit of regional cooperation (see Chapter 3).

Intra-continental exchanges of experts should be encouraged as it is vital for the sustainability of initiatives such as NEPAD. Such exchanges could include educational and technology exchange programmes, and the establishment of centres of excellence. Technical and financial assistance that seeks to build capacity within the continent will result in the promotion of economic development, peace and stability, and democracy in pursuit of the African Renaissance.

There is a need for the RECs within Africa to forge closer collaboration among themselves. They should promote cohesion and harmonisation of common approaches to continental challenges. The optimal application of regional resources should be encouraged.

On the whole, the NEPAD process needs to change perceptions and ensure the efficient and effective management of available resources and capacity. The importance of institutional coordination at all levels and between all stakeholders is a strong requirement, as is the need to prioritise properly.

4.5 Summary

Besides promoting regional cooperation and the integration of African economies (see Chapter 3), the AU faces various other major challenges, which were discussed in this chapter. The role that the developed countries of the North can play should be emphasized. However, the challenge lies in the capacity to effectively absorb and manage donor support to Africa, as well as to solve debt problems and diminish debt burdens. In a wider context, countries of the South subscribe to the priorities outlined in NEPAD and have pledged their solidarity and moral support. It remains to convert moral support into practical solutions to address the various challenges.

The AU's efforts at addressing its challenges are all part of targeted capacity building exercises to ensure that governments will be able to implement the programmes and partnerships that are required for NEPAD's success. Critical to such success is the concept of partnerships between a wide variety of stakeholders and the recognition of the specific roles that need to be played in order to change Africa for the mutual good of all involved.

CHAPTER 5: THE ADMINISTRATIVE CAPACITY AND LEADERSHIP REQUIRED TO ATTRACT INVESTMENTS INTO AFRICA TO IMPLEMENT AU PROGRAMMES

5.1 Introduction

NEPAD, as a programme of the African Union, will remain a mirage if the necessary administrative capacity and leadership are not built to spearhead its implementation. Capacity building is a priority in Africa and political leaders have apportioned sufficient significance to this objective.

The attainment of the NEPAD objectives will require not only the funding, but also the leadership and administrative capacity to manage donor funds, other investments and regional cooperation programmes. Such capacity should enable African countries to attract financial assistance and mobilise domestic and foreign investments available from monetary institutions such as the World Bank and the International Monetary Fund. The link between NEPAD and Official Development Assistance (ODA) and the effective administration of such investments to fund continental priorities is critical.

5.2 The importance of capacity building in AU institutions

For the NEPAD initiative to become fully operational, an information pool to address the complex challenges of the initiative itself should be created by African governments. The role of government in the economy is to facilitate an efficient allocation of resources, such as public goods. The way in which AU governments manage their revenue has an impact on their ability or otherwise to be catalysts in economic growth and the provision of public goods and services. Public goods and services are

those provided directly by government because they offer primarily external or public benefits (Bronfenbrenner *et al.*, 1984:721).

Capacity is required to enable AU institutions to accomplish good administrative governance. Productivity in these institutions means the best utilisation of scarce resources such as public funds and human resources, with due allowance for the fact that the needs of the greatest number of the inhabitants of the country must be satisfied as effectively as possible (Roux, Brynard, Botes & Fourie, 1997:208).

The perception that governments are not efficient in their application of resources is a further challenge to the AU. On a continuous basis, the private sector introduces new products, improves old ones, expands services, and in general, reduces costs. Government, on the other hand, is perceived to continue to be less responsive and more expensive over time (Arndisani, Hakim & Leeds, 2000:173).

In the opinion of the researcher, AU governments must maintain confidence that they have adequate capacity and they have the will and appropriate leadership to turn around the sometimes unjustifiably negative perceptions held about them. Public institutions, such as the AU, need to change such perceptions. The belief that the public sector is incapable of emulating the private sector in terms of efficiency and competitiveness has led to a critique of conventional public administration and to the development of what has become known as new public management (Wilson, 1998:34).

The creation of capacity among the beneficiary communities will lead to the sustainability of development projects in support of NEPAD. The training of local end-users, project developers and bankers on development, implementation, monitoring and evaluation of bankable and

viable projects for efficient use of resources in the provision of public goods and services is a needed imperative (Kuye, 2004:12).

All such imperatives are part of the capacity building required by AU institutions in order to implement AU programmes, such as NEPAD, successfully (See also Section 4.4.12). Further capacity issues, namely budget, audits and procurement are discussed in the following subsections.

5.2.1 Budget for the AU

In governments, where organisations receive most of their resources through a competitive budget process rather than by earning them in the market place, an important leadership function is communicating the value of the organisations to those who control or influence the allocation of resources. Unless governments' resources are effectively utilised and renewed through annual appropriations, they will die and their contributions will be lost (Wholey, 1987:9).

An adequate budget is required for the AU to fulfil its mandate. AU institutions should put in place mechanisms to ensure effective budgeting proposals, efficient management of resources and appropriate reporting. This will lead to better management of such institutions and in the final analysis, economic growth. They should guarantee that projected schedules of receipts and expenditure for unfunded liabilities do not go into some indefinite future. Breaking this public trust will have very serious consequences for future revenue generation (Starrett, 1988:114).

AU institutions, including the NEPAD Secretariat, must assume full responsibility of the budget apportioned to them. All expenditure incurred should be in line with the projected expenditure and within budget. Unauthorised expenditure constitutes financial misconduct and contributes

to corrupt practices. Financial accountability demonstrates the lawfulness, probity, completeness and accuracy of an organisation's actions (Wilson, 1998:17).

The above-mentioned principles are key to effective financial management and indispensable to public sector growth. Furthermore, when preparing any budget, a financial manager must always make provision for increased costs that may result from inflation or future pay awards (Irwin, 1994:89).

According to Sutton, Turner and Turner (1995:44), the following benefits of a budget should be noted:

- It provides a plan for the whole organisation to work to and should lead to 'goal congruence' (namely, all departments work towards the same ends);
- It sets a standard against which to measure actual performance;
- It enables the actual figures to be compared against anticipated ones;
- It should serve to encourage communication between departments;
- A more forward looking attitude among staff tends to develop; and
- It is indicative of good management practice.

The challenge facing managers in the AU institutions is to ensure that sufficient budgetary provision is made to finance their strategic plans. Like the private sector, the AU requires working capital to meet its objectives. If this working capital is not effectively utilised, the AU will not accomplish its goals and objectives. Working capital is basically the current assets, such as stocks, debtors, short term investments and cash, less the liabilities, such as creditors, taxes and dividends (Spencer & Pruss, 1997:91). Working capital is required to run the inventory. The

costs associated with it are the interest payable to the bank for money borrowed and the opportunity cost of not investing elsewhere (Slack, Chambers & Johnston, 2001:382).

All public sector finance managers must know how their departments fit into the working capital equation, namely, what they contribute to the day-to-day income generation and expenditure of the organisation. Although the long term survival of any organisation is dependent on its strategic policy of long term investment in fixed assets, in order to survive in the short term, organisations require working capital. Organisations that neglect the effective management of working capital can suffer long term difficulties which, in extreme cases, can thwart long term planning and even lead to corporate collapse (Spencer & Pruss, 1997:91).

National income accountants prefer to treat capital goods bought by the government as though they were consumed immediately. A government building, of course, is not different from the private office building and, logically, should be treated as a capital good (Chisholm & McCarthy, 1981:94-95).

Public services are an input to production by government institutions. Government requires working capital to provide these services. Governmental activities such as the provision of highways, water systems, police and fire services, and courts are subject to high demand (Barro & Sala-I-Martin, 1999:158).

Financial control involves identifying a balance between the given financial norms of a firm's budgets and its actual figures, as well as critically evaluating and analysing these differences. Control takes place in four stages, namely, setting standards, collecting figures which indicate the firm's performance, critically analysing and evaluating the firm's performance and any deviations from the standards, and then taking

necessary corrective measures. Budget control is a good example of ex-post control where results are measured against predetermined standards after the action has taken place (Du Plessis, 1996:341).

Furthermore, according to (Du Plessis, 1996:341), budget control has the following main objectives for an organisation:

- making corrections by carefully analysing deviations;
- allocating remuneration or punishment;
- providing data that can be used for planning the same activities in the future; and
- eliminating errors made in the past.

Financial control ensures that finances are managed in a way compatible with the planned operations of an organisation, that the deviations are properly and promptly investigated, and that appropriate action is taken. The need for financial data is not limited to management. It may also be needed by others such as shareholders (namely the public in the case of government), creditors, public bodies and auditors who will need to examine the records in detail (Sutton *et al.*, 1995:5).

5.2.2 Audits

As part of establishing the much needed capacity within the AU institutions, a system of internal audits to prepare for external audits will have to be developed. The purpose of an audit is to enforce compliance with accepted and accountable financial practice.

The AU should account to stakeholders on how the revenue received was applied. This can be done by subjecting such organisations to auditing – *"a systematic process of objectively gathering and evaluating the evidence relating to the economic actions and events in which an individual or organisations making those assertions has been engaged, to ascertain the*

degree of correspondence among those assertions and established criteria, and communicating the results to the users of the reports in which the assertions are made” (Porter, Simon & Hatherly, 2003:3).

According to Sawyer and Vinten (1996:9), auditing is important in so far as the following are concerned. Auditing

- determines specific deficits;
- employs evidence that comes from authoritative sources and makes use of considerable documentation;
- tends to record data in a linear way; and
- uses case studies and surveys.

An Audit report presents, fairly, the financial position and results of operations of a state or local government, as well as cash flows of its proprietary and nonexpendable trust funds, in accordance with Generally Accepted Accounting Practice (GAAP). Since the data in combined statements are aggregated by the fund type, not by individual funds, these statements have a “fund type” entity focus (Freeman & Shoulders, 1996:525).

Independent auditors prepare their own reports on the accounts of an institution and provide an objective assessment. In the case of the AU, the auditors’ reports should be submitted to the AU summit’s political executive office-bearers who are required to submit such reports to the legislatures concerned for enforcement of remedial action to prevent improper expenditure (Cloete, 1998:47).

Accounting officers should put in place checks and balances in the form of systems of internal control, in order to ensure effective monitoring and efficient delivery of goods and services. Audits should be regularly conducted to ensure compliance with set targets within the budgets and overall objectives of AU programmes, and NEPAD in particular.

Value For Money (VFM) audits are similar to operational audits in that they can cover any area of an organisation's activity. They can be part of the routine, rotational internal audit work or be specifically commissioned by management. The objective of VFM audits is to ascertain the effectiveness and efficiency of an area or a particular aspect of an organisation's activities (Porter *et al.*, 2003:516).

During the financial planning process, the long and short term financial objectives and the financial strategy to realise them are formulated. Financial managers appointed in the AU institutions must be closely involved in the preparation of budgets and carry out financial planning and control. Other important aids that can be used in effective financial management are income statements, balance sheets, cash flow statements and ratios (Du Plessis, 1996:320).

The effectiveness or otherwise with which working capital is managed, in the final analysis, has an effect on an organisation's balance sheet. This is a document showing the financial position of an organisation on a particular day, usually the last day of a financial year, or any other shorter period. In this sense, the income statement and the balance sheet complement each other, and the two become a unit (Lovemore, 1996:20).

The efficiency with which public funds are used and the effectiveness of the government services which they finance, are crucial issues in any economy. There is a limit to the amount of money that a government can raise through taxes or borrow, before the national economy stagnates or the voters protest.

As a matter of principle, AU governments should finance projects which have a favourable return. Investment projects should be accepted if and only if their Net Present Value (NPV) is positive. The NPV of an asset is

the value that can be attached to the right to own the asset (Benninga & Sarig, 1997:4).

Government agencies compete with each other for the available supply of funds. Political support is often fickle, and the agencies that thrive in the long run will be the ones that find ways to ensure that their programmes provide benefits that genuinely outweigh the costs (Mand & Whipple, 2000:44).

Management accounting can provide important information regarding the behaviour of an organisation, particularly cost and production functions. Much of the theoretical framework of management accounting has been derived from economics and applied to the operation of a firm in its environment. Improvements in the management of accounting practice have often resulted from the addition of techniques from economics and operational research, for example, probabilistic budgeting, decision trees and expected values (Kaye, 1994:26).

It is relatively easy to take straightforward decisions about capital expenditure. It is considerably more difficult to take decisions about working capital, which is the money effectively tied up in stock (Irwin, 1994:5). In the final analysis, effective financial planning and control are crucial to the survival and efficient use of resources in an organisation (Weston, 1975:2).

Ensuring efficiency and effectiveness in operations requires outcomes to be defined and measured against the needs of society. The concept of efficiency refers to the way in which available resources are employed to achieve the objectives without regard to whether or not the objectives being pursued are the right ones or not (Arturo, 1987:12). As a consequence, the ability or otherwise of public organisations to accomplish

their vision of effective service delivery depends on their capability and capacity to effectively manage the limited resources at their disposal.

5.2.3 Procurement

Procurement can be defined as the acquisition of materials and services to ensure the operating effectiveness of an organisation's manufacturing and distribution processes. The procurement function includes the selection of supply source locations, determination of the form in which the material is to be acquired, timing of purchases, price determination, quality control, and many other activities. In recent years, a changing economic environment marked by wide variations in the availability and cost of materials has made procurement an even more important activity of the physical distribution process (Lambert & Stock, 1982:18).

The procurement process is a series of activities that lead from the recognition of a need within an organisation to eventual fulfilment of that need (Scheuing, 1989:75). It is advisable to procure supplies from within the continent in order to stimulate the continental economy. 'Value for money' remains the essential test against which procurement outcomes in public organisations must be justified. While not a criterion in itself, it is nonetheless the basis for comparing procurement alternatives and offers from suppliers within the continent in order to identify the one that meets the needs in the most cost effective manner, after all costs and benefits are taken into account.

The AU will need to procure a variety of services both within and outside the continent to support the implementation of NEPAD. In order to ensure that a procurement system operates effectively and that standards are legitimate and above reproach, departments should acknowledge the need for values, a code of conduct to govern procurement behaviour and the need to ensure the value-adding capacity of public institutions.

There is a need to build administrative capacity within the AU institutions to implement the NEPAD programme. For example, financial management skills such as budgeting, management of income and expenditure, procurement, and reporting are critical for developing bankable project proposals and for accounting effectively for the investments outlaid during the project implementation phase.

5.3 Investment in human capital

Without dealing with the question of capacity at all levels, there can be no reference and inference to good governance. One of the issues crucial to NEPAD's success is increased investment in human capital and human development, which is indispensable for sustainable development. Building African administrative brain power within the AU institutions is a process that has to be developed and sustained if NEPAD is to yield the desired results.

In this regard, a centre of excellence could emerge through the establishment of a reliable collaborator for international organisations and financial institutions in the implementation of programmes for reconstruction and stabilisation of the continent. This will serve as a resource for harmonisation of regional policies with AU policies in various fields such as resource utilisation, policy training, administrative planning, good governance and issues around leadership.

The centre of excellence could become a permanent source of ideas on nation-states planning and facilitate dialogue between local, national and international organisations at all levels, such as government, private sector, financial and public interest groups. Such a centre would need to be adequately capacitated, preferably with experts from within the continent to provide advice and support on the NEPAD programme. This

will lead to the creation of capacity among the member states of the AU through regional networks to respond to the needs of the continent. A strategy for the future development and self-sufficiency of these regional networks will outline the important role of the national networks. The medium term vision is that each regional network will limit its function to supporting regional cooperation through the exchange of experiences. In the end, the objective of capacity building through regional networks will be to engender good governance, which will serve as a driving force for the NEPAD programme.

The NEPAD Secretariat could set up an Implementation Support Group comprising experts from within the continent. Their primary mission will be to assist the Secretariat and the Steering Committee to strengthen their oversight and monitoring roles with respect to NEPAD and to speed up its implementation. The African experts in the diaspora should also be invited to participate in this structure because of their expertise amassed from outside the continent.

Capacity building should be streamlined and informed by needs. The overall capacity building process should be preceded by thorough research regarding the actual needs and their extent. According to Article 3(m) of the Constitutive Act (2000), one of the objectives of the AU is to advance the development of the continent by promoting research in all fields, particularly in science and technology.

Africa must rise and develop its human capital. In the NEPAD framework document, it is acknowledged that Africa has abundant resources, that is, including its people, but notes with discontent that there are preconditions for development - a stable and secure environment free of conflict, where freedom thrives and releases the imagination and potential of all.

It should be ensured that a stable and sustainable environment for training and employment of workers is created within the continent. Research is required in order to take stock of existing African skills within the continent and of Africans in the diaspora, against the skills that are and will be required to meet the MDGs by 2015. The skills gap will determine the types and nature of intervention programmes required under NEPAD. Skilled Africans in the diaspora must be identified and attracted back, thereby curbing the brain drain and enabling them to commit to playing their rightful role in the continent (NEPAD, 2001:30).

Addressing the Association of African Universities on 22 February 2005 in Cape Town, South Africa, President Thabo Mbeki posed a challenge to the African intelligentsia, acting together with the intelligentsia in the African diaspora, to come to the centre stage of carving Africa's destiny. He requested them to reflect on the challenges facing African universities in the context of the unfolding renaissance on the continent, and to find ways of strengthening the links between their programmes and those of the African Union, and in particular, the development of NEPAD. One of the objectives of NEPAD is to reverse the brain drain and turn it into "brain gain" for Africa (NEPAD, 2001:12). The political changes on the continent could never be complete without the full involvement of African universities.

NEPAD should explore how to work with the International Organisation for Migration (IOM) in order to strengthen its Migration for Development in Africa (MIDA) programme. Such a programme could serve to develop educational linkages and to mobilise technical and intellectual resources.

The application of technology in Africa should be promoted and resources should be channelled towards a structured capacity building initiative in this regard. Africans should be capacitated both in terms of on-the-job training (OTJ) and formal areas to enhance their capacity to effectively

manage the AU institutions. The empowerment of women is as important, especially in the areas of information technology. Information and communication technology can facilitate regional integration and economic cooperation capacity in support of NEPAD. Collaboration with the private sector on ICT projects is critical to their success. If Africa does not develop its ICT capacity in the face of a changing world, it will remain forever marginalized, poorer and underdeveloped.

There needs to be a shift in thinking on the part of development partners from country-specific support to regional, multi-country and Africa-wide projects and programme support. It is obvious that NEPAD is being considered by other countries beyond those in Africa. The anticipation that skills from developed countries will be utilised in the implementation of NEPAD should not be overlooked (Vil-Nkomo, 2002:773). Support from developed countries needs to be solicited and co-ordinated, to augment the existing capacity in Africa. It should be appreciated that Africa has some inherent indigenous capacity that should be enhanced.

Ideally, NEPAD should build on existing programmes, both nationally and regionally, thereby avoiding wasteful duplication and ensuring complementarity. To this end, research should be conducted to ascertain the extent and the nature of work already underway on the continent.

The strength of NEPAD lies in the fact that it has direct access to Heads of State and Government, hence it can be instrumental in disseminating programmes in education and training. Science and Technology (S&T) are important ingredients necessary for economic growth and there is a need to increase political support for S&T in Africa. African states are importers of technology instead of promoting the generation of local technology. NEPAD's goals on S&T are to harness and to apply S&T for Africa's sustainable development and to enable Africa to contribute to the global pool of science and innovation.

Regional institutions within the AU should become committed to augmenting the much-needed capacity to support NEPAD. Africa should also consider involving regional institutions such as the African Development Bank (ADB) to provide the technical assistance and advisory services to support the implementation of NEPAD. Such institutions have an established administrative capacity and reputable leadership to make an effective contribution to the pursuit of the objectives of NEPAD. The Bank can provide technical assistance in the development of standards and measures for peer review and enforcement, as well as playing a leading role in financing regional studies, programmes and projects (NEPAD, 2001:20).

Therefore, in the process of operationalising the ADB Group Vision, the Bank can contribute towards the realisation of NEPAD's goals and objectives. NEPAD, therefore, reinforces the mission of the Bank which could effectively be seen as giving new impetus to the activities and operations of NEPAD. The Bank's lending programmes are complementary and this provides a basis for the Bank to mobilise resources, including co-financing, for its pipeline projects and programmes, particularly its multinational and regional operations in support of NEPAD. Another unique feature is mutual accountability between African countries and the donor community.

A number of initiatives under NEPAD have been developed to ensure that the conditions necessary for sustainable development are realised. These include the Peace and Security Initiative; the Democracy and Political Governance Initiative; the Economic and Corporate Governance Initiative; and the Sub-regional and Regional Approaches to Development and Integration Initiative. According to article 3(j) of the Constitutive Act (2000), one of the objectives of the AU is "*to promote sustainable*

development at the economic, social and cultural levels as well as the integration of African economies”.

The objectives of the AU are all premised on the need to build human capital in member states. The need to include, in a meaningful manner, all stakeholders in the investment process, particularly women, labour and the youth, should be emphasized. All the stakeholders both individually and collectively have a role to play in ensuring the success of NEPAD. The various African civil society institutions need to be better capacitated in order to organise themselves to actively participate and respond in pursuit of the NEPAD initiative.

5.4 Leadership required for the AU

African concepts of leadership were often regarded as barbaric and uncultured when evaluated by Western standards. Owing to globalisation, African leaders, through programmes like NEPAD, are going back to basics and drawing on African concepts of unity with respect to leadership. Effectiveness or life-giving leadership is emerging and empowering both villagers and communities on the continent.

This type of leadership is innovative and has brought new hope for Africa (Masango, 2002, 707-718). The actual needs of Africa should be pronounced by the African leadership. This should be followed by a clear cost estimate of the assistance required for capacity-building and the implementation of programmes such as NEPAD.

5.4.1 Leadership in general

Leadership is a process of directing the behaviour of others towards the accomplishment of certain objectives. It involves elements such as influencing people, giving orders, motivating people either as individuals

or as groups, managing conflict and communicating with subordinates (Smit & Cronje, 1992:278).

According to (Smit & Cronje, 1992:297), the following are fundamental practices of exceptional leaders:

- challenging the process;
- inspiring a shared vision;
- enabling others to act;
- modelling the way; and
- encouraging the heart.

An organisation may have resources, but without the right leadership, it may not realise its objectives. Essex and Kusy (1999:20) list the following 21st century competencies that are indispensable for effective leadership in organisations and in society in general:

- unshakable commitment to communication;
- effective delegation by setting goals and trusting staff to deliver;
- alignment of the workforce, core and non-core, to the organisational culture mission;
- assembly and reassembly of organisational components, including projects, teams, and locations;
- multi-tasking while maintaining focus and continuity;
- motivations across generational boundaries; and
- partnership-building.

Leadership is situational and different leadership styles may be appropriate to different institutions. Effective leadership, research suggests, is remarkably "chameleon-like" - what it looks like on the surface, is very much a function of the situation in which it operates (Kotter, 1988:21).

Good managers are not necessarily good leaders. To increase the performance of an organisation, it is obviously desirable that all managers should also be good leaders, which is why organisations seek and train people who are good managers and leaders. Turning managers into leaders, in order for them to become better managers, is the underlying principle behind the study of leadership. There is already a considerable body of knowledge on leadership, and this knowledge can be productively applied to increase managerial effectiveness.

A number of leadership myths are frequently unspoken yet commonly held criteria for effective leadership. Leaders are expected to have all the answers, to light the way, to know all and to see all. The reality is, of course, that leaders are human beings, just like everyone else. More important, if the spotlight falls on the leader too much, a condition of follower dependency and weakness is fostered, and the system becomes limited to the knowledge and abilities of one fallible human being – the leader.

5.4.2 Visionary leadership and strategic planning

Africa requires effective leadership to implement the NEPAD programme. The vision of the AU will have to be operationalised through a well defined and articulated strategic plan. Strategic planning may be defined as the process aimed at achieving an enterprise's mission and objectives by reconciling its resources with opportunities and threats in the business environment (Smit & Cronje, 1992:107).

After a strategic plan has been compiled, it should be translated into a set of operational plans. Effective leadership is required to guide this process. There should be an annual action plan for each major activity with each manager drawing from experience of past performance as evidenced by performance measures. An annual budget, based on responsibility

centres, should be produced and monitored. The integration of performance measures or indicators into the budgetary process should be considered and additional measures taken where appropriate (Wilson, 1998:184).

In order to accomplish a strategic plan, public organisations employ various factors of production. As a result of the ever-present economic problem of scarcity, these factors are limited. Scarcity gives rise to the need for eliminating waste through ensuring efficient and effective use of all factors of production. The effective use of resources is defined by measuring the extent to which previously determined goals have been achieved. The concept of effectiveness is broad and, among other things, includes the capacity of institutions to define and to achieve some degree of consensus on their operational targets. The effectiveness of an organisation in pursuing its set objectives can then be evaluated in terms of how well it is doing in relation to the targets it sets for itself (Arturo, 1987:12).

Effective leadership requires a clear vision. The vision is a positive image of what the organisation could become, and it determines the path towards that destination. The essence of leadership is the ability to create vision, inspiration and momentum in a group of people. People are led by this trinity and not by plans and analysis. A truly effective leader focuses clearly on all his or her actions (Landsberg, 2000:5).

Being a leader is a challenging task. In some cases, a leader becomes popular if he or she dances to the tune of the followers. Using his or her energy, the leader keeps the mission on course. Leaders who are firm and want things to be done according to rules are, in certain instances, isolated. The leadership life can be lonely because there are few people a leader can confide in safely without damaging the image of the organisation (Levicki, 1998:86).

Visioning is an important aspect of the leadership process. The leader has to first know where he or she wants to go in order to create a clear map that the people must follow in order to reach the required destination. Few, if any, initiatives can be led without some vision of the destination and the route. The vision portrays the intended direction in an exciting way, and provides robust principles for responding to unexpected events (Landsberg, 2000:28).

There is a distinction between leadership as a process of influencing the community to follow the leader's vision, versus leadership as a process of encouraging the community to face its problems. Influence is the mark of leadership and as a leader gets people and communities to accept his or her vision, then communities address problems looking up to him or her. If something goes wrong, the fault lies with the leader and for that reason he or she takes full responsibility for the success or failure of programmes. A distinction should be drawn between leadership and management. Exercising leadership has come to mean providing a vision without coercing the followers to comply (Heifetz, 1999:15).

According to Article 3(e) of the Constitutive Act (2000), one of the objectives of the AU is to promote and to defend African common positions on issues of interest to the continent and its peoples. There are some critical research questions to be pursued by African scholars if NEPAD is to advance beyond previous plans or strategies like the Lagos Plan of Action, the Millennium Development Goals, the Omega Plan and the Five Year Development Plans. Leadership for development is an imperative for Africa's advancement, for itself and the world (Vil-Nkomo, 2002:772).

Over and above all else, what Africa requires is leadership for development. Leadership for development is dependent on the

participation of individuals and society (Vil-Nkomo, 2002:768). Authority is the right of a leader to give orders and demand action from subordinates. However, power refers to the ability of a leader to influence the behaviour of others without necessarily using authority. Influence is the ability to apply authority in such a way that followers take action. In the context of the organisation, followers are often influenced to make personal sacrifices for the sake of the organisation. At times the task of a leader might also involve passing his or her authority onto a subordinate to act on his or her behalf. This is known as delegation and entails subdividing a task and passing a smaller part of it on to a subordinate together with the necessary authority to exercise it. The final component of leadership is accepting responsibility and accountability. Leaders have the responsibility of performing a task according to orders, and have a duty to account for their actions.

The leadership provided by NEPAD needs to ensure ownership and development. At the core of NEPAD is a commitment by African leaders to creating an enabling environment for economic development (Amaoko, 2003:26). The leadership of the AU should effectively exercise its authority and power to take decisions. The AU has already demonstrated its authority over member states when it openly declared as unconstitutional the change in government in Togo.

Leadership is the influence of a leader on subordinates and the influence that the subordinates impress upon the leader in return. There can be no leaders without followers. Against the preceding overview of the nature of leadership, it is clear that it is a complex management function. The definition formulated above is merely an attempt to give direction to the numerous perspectives on the concept. If one wishes to analyse the notion of leadership from the preceding discussion and definition, certain components emerge, namely authority, power, influence, delegation, responsibility and accountability.

There are two conflicting views regarding whether leaders are born or are a product of the circumstances or environment within which they are born. The researcher prefers to align himself with the latter, the reason being that leadership can be learned (Landsberg, 2000: ix).

There is a growing change in the perception of what used to be regarded as leadership in the past and what it is today. The word 'leader' used to conjure up visions of a striking figure on a rearing white horse crying "follow me"! The situation is different today (Manz & Sims, 1993:217). Inspiration, within individuals who comprise the organisation, is what moves people to action. The leader uses his or her interpersonal skills to excite people and help them see how they themselves can benefit from their journey and their arrival (Landsberg, 2000:5).

5.4.3 Types of leadership styles

The fact that different styles are appropriate to different situations implies that the skilled leader varies his or her style according to the nature of the situation facing the group. Leaders must be willing to take responsibility for the decisions they make and be held accountable for such decisions. The continuing wars and coups in Africa cannot continue at the current rate. The AU must assume the leadership and take the unpopular decision of rejecting governments that come to power through undemocratic means.

There a number of different leadership styles and these are outlined briefly below.

5.4.3.1 Participatory leadership

For a vision to be able to guide an organisation, it must be a compelling story that portrays credible events: real people achieving a better

tomorrow in a way that the audience can emulate, and in a way that adds meaning to their lives. The vision of an organisation is unlikely to be effective if it is the brainchild of only one parent. The vision achieves its purpose better if it is developed collaboratively (Landsberg, 2000:28).

With NEPAD, Africa's leaders have set their own agenda for the continent's renewal, an agenda based on national and regional priorities, with plans prepared through participatory processes, thereby giving voice to their people. NEPAD is for everyone. Its success is predicated on the active involvement of all Africans (Amaoko, 2003:25).

A mutual relationship usually develops between the leader and the followers. It is this relationship that enables leaders to earn influence by adjusting to the expectations of the followers. Leaders not only influence their followers, they are also under their reciprocal influence (Heifetz, 1999:17). To an extent, leadership is like beauty, as it is hard to define but you know it when you see it. Leadership is not domination, but the art of persuading people to work towards a common goal (Owen, 2000:23).

The AU should function as a unit with a common vision. An organisation is like a family unit. The quality of leadership in the family determines its ultimate success or otherwise (Smit & Cronje, 1992:337).

A participatory leader inculcates within the organisation a spirit of independence coupled with creativity, with him or her advising as and when necessary. The performance of any organisation, small or large, is directly related to the quality of its leadership. In fact, the business world has many examples in which the success or downfall of a particular organisation can be attributed to a specific leader.

5.4.3.2 Autocratic and democratic leadership

The autocratic leader takes decisions and imposes them on the group and expects of the group to put them into practice without questioning the reasons for such decisions. On the other hand, a democratic leader encourages the members of his or her group to share the decision making process and sees him or herself as a coordinator of a group effort, rather than as a decision taker (Sadler, 1997:71).

Where there is a democratic leadership style and loose controls, conflict is minimized. However, with an autocratic leadership style, high task orientation and a high degree of mobilisation result an escalation in the potential for conflict (Bendix, 1996:439).

Women can bring a different leadership style to institutions, a style that is very effective in a challenging corporate environment. Although women also possess assertiveness, initiative and aggressiveness, they tend to engage in leadership behaviour that is more interactive. An interactive leader is concerned with consensus building, is open and inclusive, encourages participation by others and is more caring than the leadership style in many males. Interactive leadership is, however, not confined to women. Anyone can develop these qualities, especially because they are consistent with the recent trend towards participation and empowerment (Smit & Cronje, 1992:96).

Women with potential should be supported to move to higher positions within AU institutions. A classic example is the ascension to the helm of the Pan African Parliament by a woman. The AU must be commended for 'walking the talk' in terms of electing a woman to chair the Pan African Parliament. This bodes well for gender equality on the continent. As a matter of fact, there is little gender difference in the style of leadership among women and men (Ramey, 1991:38).

5.4.3.3 Transformational Leadership

One of the growing areas in leadership research is the study of individuals who have an exceptional impact on their organisations. These individuals may be called 'charismatic' leaders. Such leaders have the capacity to motivate people to do more than what is normally expected of them: they motivate subordinates to transcend their performance. Charismatic leaders tend to be less predictable than transactional leaders. They create an atmosphere of change and have an emotional impact on subordinates. The phenomenal growth of Microsoft is directly linked to Bill Gates, a typical example of a charismatic leader (Smit & Cronje, 1992:96).

Transformational leaders are similar to charismatic leaders, but are distinguished by their special ability to bring about innovation and change (Smit & Cronje, 1992:96). Transformational leadership is required within the AU to meet the dynamic challenges facing the continent. Such leaders have the ability to make necessary and successful changes in the organisation's mission, structure and human resource management. The transformation of African organisations should be driven by the African intelligentsia and cannot be postponed.

Delegation is an important by-product of effective leadership and it presupposes team work. This should be clearly understood if the institutions of the AU are to be effectively administered and managed to implement the NEPAD programme. An accounting officer or Chief Executive Officer of an organisation or department cannot accomplish the objectives, vision and mission of the organisation without the support of his or her team. For delegation to be effective, a supervisor or delegator must be clear about the vision, namely, a shared picture of what is to be achieved and the values and rules by which the game will be played (Colenso, 1998:7).

Why should people bother to listen to a leader, let alone to follow him or her? The leader is effective only when he or she engenders trust in his team members, as the foundation for inspiring them. He or she should build trust in both his and her intentions and in his or her abilities (Landsberg, 2000:48).

It should be acknowledged that a leader cannot do everything him or herself, especially if one takes into account that consensus creation could require experts from different parts of the continent and abroad. Management of diversity will become critical in this regard. Trust and a shared vision are indispensable in guiding institutions in the accomplishment of their goals and objectives. The importance of delegation is that it allows people to develop and improve their skills. It also demonstrates faith and trust in the team (Tepper, 1994:5).

As time goes on, a leader can withdraw slightly from operational issues, if the team is accepting delegated power and there is a sufficient volume and quantity of work. Through the principle of delegation, the leader tests if the team has accepted the tasks and leadership roles allocated to them and that trust is developing (Garratt, 2000:140).

The immediate environment is important for the development of team members as individuals within their own rights, as well as the overall accomplishment of organisational goals and objectives. If people in a team are to be open to ideas, they need to have or develop a good deal of trust, feel comfortable enough to take risks and be free to fail. The task of managing a climate conducive to creative endeavours is not trivial, for the manager should be able to reconcile the need to provide direction with allowing employees enough freedom of expression to feel in control of their own destiny. This will enable them to be active, focused, flexible and fast moving participants in their organisation. It is suggested that the leadership style that is most conducive to fostering creative endeavours

within the AU is participative leadership, in which the leader becomes more of a facilitator and mentor and acts as a unifying force (Henry, 1991:10).

In order for a leader to foster unity, a leader must continuously communicate. Dialogue is an important technique of effective leadership. It draws members into focusing on goals and procedures associated with a task. It helps to spot potential problems or misunderstandings when they can still be corrected.

A mission includes the organisation's core values and its core purpose or reason for existence. Visions for the future change, whereas the mission should persist, as does the enduring character of an organisation. Strategy is the serious work of analysing how to translate vision and mission into action. Strategy is a general plan of action that describes resource allocation and other activities for dealing with the environment and helping the organisation reach its goals. Like vision, strategy changes, but successful companies develop strategies that focus on core competence, develop synergy and create value for customers. Strategy is implemented through systems and structures that are the basic architecture for how things are done in an organisation.

Transformational leaders decide on direction through rational analysis as well as intuition and personal experience. Leaders make a real difference for their organisations only when they link vision to strategic action, so that vision is more than just a dream. Superior organisational performance is not a matter of luck. It is determined by the actions of the leaders (Daft, 1999:144).

For the sake of good leadership and effective management of the AU, a balance must be struck between national sovereignty and the necessity to intervene on a needs basis. Excessive authority may result in an

autocratic leadership style, which could undermine the motivation of member states. Knowledge of the interaction and balance of the components of leadership is important for an understanding of the approach to leadership.

The AU has delegated a lot of tasks to various head of states. However, the mandate should always be unambiguous when delegating a task to a nominated executor. Follow-up is an integral part of the delegation process. Finding the right degree of follow-up, that is, to guide without interfering, to protect against disaster without pampering, to advise without diminishing accountability, is the subtlest aspect of the art of delegation and effective leadership.

However, according to the parity principle, neither the manager nor the subordinate should be held responsible for things beyond their control or influence. The parity principle stipulates that authority and responsibility should be co-equal. This means that when a manager assigns a task to be performed, he or she also gives the subordinate full authority to perform the task. Employees must always be assigned responsibility with the corresponding authority to act. Decisions have to be effectively communicated to the team in as unambiguous a manner as possible. Leaders often communicate the big picture, that is, the vision rather than facts and pieces of information (Daft, 1999:115).

For the AU and NEPAD to be successful, they require leadership that is able to analyse the organisation's goals and task requirements and to determine to what extent employees have the capability to perform the tasks they wish to delegate. Such leadership should be able to trust their employees and have faith in their ability to complete the task successfully. When employees cannot perform the job effectively, the job of the manager is to teach them how to do the task. Leaders must study the

people they want to lead, thereby developing an in-depth understanding of an individual's ability and unique needs (Essex & Kusy, 1999:19).

A good leader is also a mentor. The current leadership of the AU must ensure that they mentor younger ones if the AU is to be sustainable. The mentor has to support and facilitate the realisation of employees' dreams. He or she should help them to define their newly discovered self in its discovered world, and create a space in which they can work on a life structure that contains the "dream" (Henry, 1991:258).

For NEPAD to be sustainable, the leadership base for the programme should be broadened. It should not be construed as a child of the Heads of State Implementation Committee or Presidents Mbeki and Obasanjo only. It is an African Programme by Africans themselves. The disadvantage of centralizing the success of a programme around one or a few individuals is that when a leader leaves, the system is likely to collapse (Manz & Sims, 1993:216).

Africa has a strong leadership. Quite often, groups experience problems if either the leadership is not adequate, or if another member of the group tries to undermine or take over from the leader (Robson, 1993:156). What Africa requires is super leadership: a process of leading others to lead themselves. Super leadership is designed to develop others into self-leaders. When a leader departs, the system should be able to continue to function. According to the Chinese philosopher Lao-Tsu "*The best of all leaders is the one who helps others so that they eventually do not need him*" (quoted by Manz and Sims, 1993:216).

Leaders are exposed to endless criticism, challenge and stress. True leadership can be tested during difficult times when it will be expected of a leader to take tough decisions. An example of one of the toughest decisions ever taken in Africa was President Mbeki's decision to relieve his

Deputy President and comrade of his duties on 14 June 2005, on the basis of allegations of corruption. The reading of the riot act by President Obasanjo to the imposed President of Togo after the death of his father, was a clear indication that the AU has the right political leadership who can take difficult decisions in the best interests of Africa.

The impression that people have about their leader plays an important role in influencing the people to work towards the accomplishment of the set vision. Ultimately, all managers have somebody above them in the hierarchy, who supervises and assumes responsibility for their work in the organisation and up to whom they look (Levicki, 1998: xx). In his autobiography, Kasrils, in sharing his experiences of the struggle against Apartheid, described Oliver Tambo, the former President of African National Congress at their first meeting. He described him as "*a serious and a dedicated leader*" (Kasrils, 1993:96).

5.5 Summary

Leadership is about taking difficult decisions. This implies that the roles of leadership and management may in certain instances almost contradict each other. Managers need to be team players. They have to encourage groups of people with different aspirations to work together to achieve set objectives.

Leadership is not only about coordinating the activities of others. It is about ensuring that all participants become involved and committed. It also requires an appreciation that there may at times be disagreements about decisions to be taken. A leader will not have answers for every question in an organisation; he or she needs to build a team from which ideas can be drawn.

The success of the AU will depend among other things, on the quality of its leadership. Leaders have the ultimate responsibility for success of an organisation. That is the final differentiator between leaders and managers. The traits of leadership described in this chapter are indispensable to the ability of the AU to accomplish the NEPAD objectives.

CHAPTER 6: THE REQUIREMENTS FOR THE SUCCESSFUL ATTRACTION OF INVESTMENTS INTO AFRICA

6.1 Introduction

The majority of African countries have been exposed to years of political conflict and this has resulted in their inability to mobilise domestic investments to leverage Foreign Direct Investment (FDI). The poor state of social and human development in Africa manifests itself in low investment flows and high levels of poverty. This chapter explores ways and means of attracting FDI into Africa.

Available statistics indicate that about 70 percent of the population in the region subsist below the international poverty line of US\$2 per day, while of those, 40 percent of the region's population (or 76 million people) live on US\$1 per day. Recent figures from the ADB and the World Bank show that about 80 percent of the population in some member states such as Mozambique and Zambia, is estimated to be living in extreme poverty and many without adequate power supply. An adequate and reliable supply of power is a vital ingredient for economic development of African countries (World Bank Report, 2002:246).

6.2 Investments

There is a need to promote investment in Africa and to develop the continent's export growth into various markets. Africa should work closely with investors and with other multilateral organisations to overcome any blockages to such investment possibilities. The development of strategies by the AU to attract investments into the continent remains a priority.

The continent should establish a database of investment information for use by possible investors. Government policies and processes should be enhanced to promote the continent as a preferred investment destination.

6.2.1 Domestic investment

The domestic industrial sector needs to withstand the challenges of globalisation. This can only be achieved with overall improvement in productivity and competitiveness, combined with balanced economic growth in a wider, well-linked economic space that allows for the efficient and effective use of factors of production, on the basis of an increased value approach. New economic strategies and policies should be developed, which are all-inclusive and encourage the participation of women in the development of small and medium scale enterprises.

The quality of information, on the basis of which investment decisions are to be made, requires much improvement. The continent is characterised by large informal sectors whose activities and assets are unrecorded and fragmented or segmented in terms of financial markets and services. Part of the problem stems from high transaction costs of private banking and non-banking institutions that provide financial services to the informal sector, including emerging entrepreneurs and poor households.

There is a need to mobilise domestic investment through improved governance and encouragement of intra-Africa trade. Equitable market access to products manufactured in Africa is vital for the continent's growth. Linked to this, Africa needs to ensure increased and diversified local manufacturing and production, focusing on domestic processing and beneficiation.

Naturally, FDI is important, but more emphasis cannot be placed on that alone. External resources, indispensable as they are, cannot replace

indigenous efforts within developing countries (Kiljunen, 1990:174). Inward investment is required, particularly in areas of infrastructure development. There is no doubt that poor transport systems in Africa are a major barrier to economic development and add massively to the cost of exports. Other weaknesses in infrastructure are a reflection of underdevelopment and a barrier to improved economic growth.

Africa needs to harness its own domestic resources, to mobilise the resources and resourcefulness of the African people in the spirit of self-reliance and to take ownership of Africa's destiny. This should involve the mobilisation of all stakeholders, including the African business community. African stakeholders need to increase investment in NEPAD programmes and projects in order to underscore commitment and ownership, while international partners need to scale up and accelerate support to bolster African efforts.

Africa's financing requirements for investment can be divided into financing for the continent's coordination function and financing for development activities. Communities and governments must be encouraged to save money to stimulate domestic investment, in order to leverage FDI. Conversely, FDI can lead to an increase in domestic investment. Consequently, the quality of investment made by domestic firms under FDI control would be improved, and the average size of investment would increase. Africa should increase its internal investment and this should encourage its external partners to come forward and support her. With this in mind, attempts will be made to estimate what Africa itself can reasonably raise as investments, leaving the remainder to be raised at international level.

Joint investment projects for the reconstruction of the region will serve as a basis for communication and collaboration at local level within the regional blocks of the AU. This will contribute to overcoming the

traditional conflicts and tensions between the countries in the region. Furthermore, an aggregation of regionally based small and medium-size projects will increase the attractiveness to foreign investors and thereby contribute to the economic development of the continent.

6.2.2 Foreign Direct Investment (FDI)

Direct investment is defined as one in which the investor holds a lasting interest. This lasting interest is usually maintained by the investor holding a substantial equity interest (Hanink, 1994:102). The ability of Africa to attract foreign investment requires nurturing.

FDI is a potent instrument of development, with a unique ability to transfer capital, know-how and technology to developing countries (Lahiri, 2001:213-214). Africa can increase her exports of goods by increasing the number of exporters through specific export development programmes and enhancing national supply chain processes, so as to make selected export industries more competitive.

6.2.2.1 Determinants of FDI flows

Outside countries will pursue economic reforms, namely, to allow foreign trade and inward FDI, if the anticipated rewards exceed the cost in terms of benefits. However, such benefits are dependent upon the size of the multilateral economy. The more successful the national economic reform, the more FDI will be attracted in terms of direct investment, technology transfers, modern business best practices, and so forth. So, reform is assumed to succeed if and only if some direct investment is attracted (Lahiri, 2001:10).

There are a number of econometric studies on the determinants of FDI in developing countries. Most of these studies identify per capita GDP, the

real wage rate, political stability and low inflation rates in the host countries to be the principal determinants of FDI (Lavergne, 1997:2).

Countries which pursue liberal trade policies, as opposed to foreign trade regimes designed to promote import substituting industrialisation, tend to receive relatively large volumes of FDI. In its strict version, the proposition is that foreign firms favour locations which are free of policy-induced product and factor market distortions. They prefer to exploit the inherent comparative advantage in the production of goods and services host countries possess, rather than profit from short term and uncertain inducements in the form of protection from import competition provided by tariffs and quotas (Lahiri, 2001:203).

6.2.2.2 Incentives for FDI flows

Africa should explore ways and means to incentivise FDI flows to support the NEPAD programme. Where sound macroeconomic and financial policies are in place, foreign direct investment can catalyse the development of domestic markets, strengthening their key role in the national financial sector. Foreign investment can increase the depth, breadth, and liquidity of domestic markets, while enhancing their efficiency through the development of financial instruments, the diversification of portfolios, the encouragement of competition among local market intermediaries, and the promotion of international standards (World Bank Report, 2005:78).

External commitments in turn make the country more attractive for direct investment, relative to similar countries without such external commitments. Thus the ability of a regional arrangement to bind the government to reform can be important for the success of that reform, even when it confers only modest direct benefits (Lahiri, 2001:13).

6.3 Issues that influence Return on Investment (ROI)

There are a number of issues that influence investment flows as well as return on investment for the investor. These issues are discussed in the subsections that follow.

6.3.1 Infrastructure

One of the most important points that a foreign investor looks for when choosing an investment destination is the level of infrastructure development in an area. As part of its extensive programme to attract more investment and grow trade, Africa must address questions regarding local infrastructure. Every investor, whether domestic or foreign, seeks to maximise returns. The availability of infrastructure has a bearing on the overall costs of and returns on investment. Conversely, investments in infrastructure can foster regional cooperation and integration as well as further investment.

There is a need to increase inward investment, particularly in the area of infrastructure. Increase in direct investment flows tend to lead to better integration into markets. The provision of adequate infrastructure is a critical element to development, to regional integration and to the provision of an environment conducive to investment, particularly with regard to reducing the costs and risks of doing business in Africa (Wani, in The Third African Development Forum, 2002:13).

The quality of infrastructure has a bearing on transport in the region. The cost of transport as an input into the overall cost of doing business, in the final analysis, will be a determinant factor in the decision whether or not to invest in a particular country. As a result, many companies are only prepared to do business within close proximity of their area of origin, in order to mitigate the high costs of transport.

African leaders should transform the air transport sector of the continent. The fact that one flies from Africa to Europe before one comes back into Africa is not acceptable. It remains a huge challenge to make flight connections within Africa and this has a negative impact on the ability of Africa to stimulate intra-regional trade and to take advantage of economies of scale associated therewith. Africa must make an effort to optimally develop its air transport in order to be a catalyst in economic development in Africa.

The state, as an entity, has played and must continue to play, an important role in economic development in Africa. The reasons for Africa's problems are much larger than the obsolete arguments that place the blame solely on the question of state intervention. The reality shows that where the state has failed in a number of instances to address these problems, the private sector or 'the market' has also not been the panacea it is frequently made out to be. The participation of the public and private sectors in African countries will remain a dynamic and evolving process. Mechanisms that included public-private partnerships should encourage private sector investment in physical infrastructure (The Third African Development Forum Report, 2002:17).

6.3.2 Peace and security

Twenty per cent of the people of Africa are living under conditions of conflict. These conflicts cause terrible suffering, and hold back economic development in those countries affected. The extent of conflict in Africa is so great that the whole continent is affected, and the level of conflict creates a major barrier to inward investment. The World Bank estimates that conflict is costing every African country two per cent economic growth every year. Nevertheless, on conflict resolution, Africa is in a position to make considerable progress. Financing for productive activities in Africa is

severely constrained by a perception that the region is a high risk one (World Bank Report, Volume 1, 2001:68).

The resolution of political conflicts is a precondition for successful implementation of infrastructure projects in Africa. Similarly the link between good economic and corporate governance and infrastructure development is a vital ingredient for sustainability.

Conflict has a negative multiplier effect on Africa's development gains and should be lessened. The scourge of conflicts in Africa constitutes a major impediment to the socio-economic development of the continent and to the promotion of peace, security and stability as a prerequisite for the implementation of the development and integration agenda. The continent's capacity to prevent, mediate and resolve internal conflicts must be strengthened, including the capacity to deploy regional peacekeeping forces when necessary. At the same time, it is recognised that sustainable peace entails creating appropriate conditions for economic development.

Peace and security should be top priorities for economic development of the continent. There exists a proportional relationship between political stability, peace and security, and development. In this regard, the challenge facing Africa is the eradication of inter-African and intra-African conflict.

Speaking at the United Nations General Assembly in New York in September, 2005, President Obasanjo stated that while it is true that many of the conflicts have their root causes in poverty and ignorance, real and perceived injustices and absence of basic freedoms, it is equally evident that they are often exacerbated, especially in the case of African conflicts, by the influx of small arms into the continent (Obasanjo, 2002:11).

The establishment of the African Standby Force and the regional brigades, indicates that the activation of an early warning system needs to be accelerated. The UN should be reformed, particularly the Security Council, to make the organisation more responsive to Africa's needs. Specifically, when authority is given to the region to intervene in a conflict situation, this must be matched with the resources to enable the intervention. Africa has the human resources, but requires logistical support, equipment and financing.

6.3.3 Information and communication technology

The ICT sector has the potential to unlock immediate benefits within Africa. The impact of this sector can be felt if a continent-wide approach to ICT is adopted by the countries providing support to Africa. However, this support should be targeted towards supporting the continent's priorities and not the priorities of the donor countries. In addition to fostering intra-regional trade, the use of ICTs could also accelerate Africa's integration into the global economy (NEPAD, 2001:24)

6.3.4 Market access and intra-Africa trade

Greater focus should be placed on the role of the NEPAD Market Access Initiative in the promotion of trade. Factors such as the need for harmonisation of trade regulations and standards and the need for the promotion of small enterprises, given the fact that African economies are largely driven by SMMEs, can impede regional economic integration. The most substantial sources of short-term financing of NEPAD will have to be increased through development assistance and the opening of international markets to Africa products. If Africa could achieve just a one per cent increase in its share of world exports, the net annual financial

inflow to the continent would be \$70 billion, or about seven times its current level of trade (Waal, 2002:470).

6.3.5 Partnerships with the G8, the EU and international organisations

It is a myth that NEPAD will be supported by all the political leadership in Africa. It is the opinion of the researcher that the views of those who are not convinced of NEPAD's ability to solve Africa's problems be heard, in order to provide a balanced perspective about the programme. According to the President of Gambia, Yahya Jammeh, Africa's socio-economic development must come from Africans themselves. In his opinion, NEPAD will never work as long as it premised on begging from the rich. To him, Africa can only solve its problems by rising against the unfairness of the World Trade system which he blames for many of the misfortunes of more than half of the world's population (Bafalikike, 2002:25). The partnership between the AU and the G8, the EU and multilateral organisations should be premised on mutual respect for each others' sovereignty.

6.3.6 Health, HIV and AIDS

Africa is home to major endemic diseases. One of the major impediments facing African development efforts is the widespread incidence of communicable diseases, in particular HIV/AIDS, tuberculosis and malaria. Unless these epidemics are brought under control, real gains in human development will remain an impossible hope (NEPAD, 2001:32).

The huge burden of disease and suffering on the continent is not only compromising health, but also the NEPAD goal of poverty eradication. This burden will not be overcome unless health systems in Africa function effectively. The problem is also undermined by the high brain drain taking place within the African health sector.

Development partners should reflect on the impact their recruitment of African health professionals is having and become more pro-active in addressing their own crises. There should be an increasing budget commitment to health by more African countries, but this will need to be matched by development partners if they truly wish the MDGs to be met.

There is also a need to review the structure of ODA to ensure alignment to effective programme implementation. According to the Regional Director of the World Health Organisation (WHO), Luis Sambo, there is a need for effort and commitment from governments to increase public expenditure on health to at least 15% of their national budgets. In the African region, governments spend about 8% of their budgets on health. The challenge is not only increasing resource allocation to the provision of health services, it is also about ensuring that allocated funds are efficiently managed to in order to get maximum results (Bulletin of the World Health Organisation Bulletin, 2005:9).

6.3.7 The need to increase levels of economic growth and strengthen the RECs

The AU should contribute to economic growth in the member states. Economic growth means more output per capita of essentially the same collection of goods and services (Bronfenbrenner *et al.*, 1984:9). Economic growth is a target that every country in Africa should set itself. The achievement of the levels of growth necessary to halve poverty in Africa by 2015 requires better economic and political governance throughout the continent.

The trade-growth nexus has been a topic of active research. A number of mechanisms have been suggested to explain how trade leads to growth. According to the Traditional Trade Theory Framework, trade leads to long

term growth by increasing the availability of resources, thereby increasing the availability of specialised inputs, and so forth (Kowalczyk, 1999:502).

There is a need to strengthen the implementation capacity of the RECs at the regional level. RECs must be capacitated to assume the responsibility of their mandate to ensure delivery on NEPAD priorities and programmes.

6.3.8 Dealing with corruption

Transparency creates a basis upon which corrupt practices can be exposed and challenged. Strong public commentary in newspapers and on television, a strong civil society and a populace that can air its views without any fear of retribution, are an effective ways of addressing corruption. This type of good governance, espoused by the NEPAD programme, would deprive corrupt rulers of the means to maintain their patronage networks. To have an Africa grounded in the good governance principles of NEPAD would actually erode the base upon which corrupt states are predicated (Taylor, 2004:31).

However, corruption was not invented in Africa - it is not the only place in the world that corruption is evident. Many multinational companies have been involved in the bribing of African nationals. There are always two parties involved, the 'corruptors' and the 'corruptees'. There is a lot to be done to improve the situation on both sides of this corruption divide. The high level of corruption can hold to ransom the development effort of poor countries, as resources are channelled into the pockets of the privileged few at the expense of the majority, who are poor. This can be tragic and catastrophic and should be dealt with mercilessly.

6.3.9 Debt relief

One of the key issues that led to the formulation and subsequent adoption of the NEPAD programme is the high level of indebtedness on the part of

most African countries. There is thus a need to build the requisite administrative capacity to manage the loan book of African countries. The negative multiplier effect of high level of debt causes the 'crowding-out' of investments. The African debt crisis continues to persist and is a moral and political impediment that impacts on Africa's development prospects. The original debt has in many cases already been paid, but the structure of interest and penalties perpetuates the debts. Excessive debt stifles economic growth and cripples efforts to reduce poverty in the world's poorest countries (World Bank Report, 2005:25).

6.3.10 Linkages between Official Development Assistance (ODA) and investments

For developing countries, particularly the least developed countries, ODA is a main source of external funding. Substantial new additional funding for sustainable development and implementation of Agenda 21 will be required by the continent.

Although ODA has been declining and averages about 0.24% of industrial country GDP, it remains one of the important sources of finance for the implementation of the Regional Indicative Strategic Development Plan (RISDP). Developed countries have reaffirmed their commitment to reach the accepted United Nations target of 0.7% of GNP for ODA and, to the extent that they have not yet achieved that target, agree to augment their aid programmes to reach it by 2000. The Commission on Sustainable Development will monitor progress towards this target (Agenda 21, 1992:250). NEPAD can play an important role in persuading industrial countries to increase the level of ODA to the recommended 0.7% of their GDP.

The absorptive capacity of Africa in the utilisation of ODA resources will have to be addressed. NEPAD has identified several constraints including good governance in the political, economic and corporate contexts.

The linkages between NEPAD and ODA to fund continental priorities require particular emphasis. Increased domestic savings and investments can be useful sources of funding for NEPAD. If well managed then it will also unlock the FDI required to support NEPAD. Funding mechanisms for financing development that can be explored include public-private partnerships (PPPs), domestic financial and capital markets, private equity and venture capital.

There is a need to substantially increase and accelerate support in line with existing commitments going back to the Millennium Declaration, the Monterrey consensus, the Johannesburg Plan of Implementation and the G8 Africa Action Plan. Issues of market access, increased ODA and FDI, and debt cancellation are of course important to Africa's development. Support needs to be better co-ordinated and policy coherence ensured.

If Africa is to survive in an interdependent world, it must have the necessary means, in terms of developing its indigenous technical and institutional capacity. Interdependence cannot be avoided. Neither African countries, nor any other country, must be subservient to another: this interdependence must be carefully managed. Independent and indigenous capacity must be developed to permit management to take place in such a way as to preserve, as far as possible, the unique development aspirations of African countries (Kwapong & Lesser, 1992:60).

There should be a stronger commitment from the countries of the North including the EU, to increase, in both quality and quantity, ODA to Africa in support of the pursuit of the MDGs and NEPAD.

6.4 Experience sharing between the European Union(EU), the United States of America (USA) and the African Union (AU)

Various experiences between Africa and the European Union (EU), and the United States of America (USA) and the African Union (AU) can be discerned. Valuable lessons can be learned from these relationships, which can be used to strengthen the fight against poverty and inequality (NEPAD, 2001:14).

6.4.1 Relationship with the European Union (EU)

The European Union (EU) is one of the oldest economic communities, from which valuable lessons can be learned by the African Union (AU). The EU government priorities for Africa include: moving towards faster job-creating economic growth; investing in human resources, more effective, integrated and efficient government, rural development and urban renewal; eradicating poverty; expanding access to social services; and fighting crime and corruption. Africa is faced with similar challenges and for that reason it can learn how the EU dealt with such challenges (Europe's Agenda 2000, 1999:19).

One of the lessons that the AU can learn from the EU is the establishment of a Free Trade Area (FTA). This is a process whereby countries bring together their economies, but do not integrate them into a single economy (European Commission, The Customs policy of the European Union Report, 1999:7). Experiences may also be shared in the area of a Customs Union - a process whereby members of the union apply a common customs tariff and commercial policy towards third country goods to determine which goods inside the area can move around freely (European Commission, The Customs policy of the European Union Report, 1999:7).

Intra-continental trade among the member states of the AU can be an important catalyst to economic development and job creation, and should be encouraged. A lesson that may be learned from the European Union is that according to article 31(1) of the European Union Consolidated Versions of the Treaty establishing the European Community, member states shall adjust any state monopolies of a commercial character so as to ensure that no discrimination regarding the conditions under which goods are procured and marketed exists between nationals of member states (European Union Consolidated Versions of the Treaty establishing the European Community, 2002).

In accordance with Article 177 of the Treaty Establishing the European Community (1957), the policy of the European Community ("the EC") in the sphere of development cooperation shall foster:

- the sustainable economic and social development of developing countries, and more particularly the most disadvantaged among them;
- the smooth and gradual integration of the developing countries into the world economy; and
- the campaign against poverty in developing countries.

One of the strategic focus areas critical to EU support to developing countries is regional integration and cooperation. This is another area from which the AU can learn from the EU. The EU supports regional integration objectives. They place further focus on regional trade and the smooth and gradual integration of developing countries into the world economy.

The same objectives are laid down in the Cotonou Agreement (2000) ("the Agreement"). Article 1 of the Agreement states that "*The partnership shall be centred on the objective of reducing and eventually eradicating*

poverty consistent with the objectives of sustainable development and the gradual integration of the Africa Caribbean Pacific (ACP) countries into the world economy". Article 9 of the Agreement adds that "Respect for all human rights and fundamental freedoms, including respect for fundamental social rights, democracy based on the rule of law and transparent and accountable governance are an integral part of sustainable development".

On the trade level, the EU is by far the biggest importer of products from the less developed and developing countries (European Union, 2001:26). According to the European Commission (2002:1), the relationship between Africa and Europe is deeply rooted in history and built on a solid network of contractual arrangements, which provides the partners with predictability and security. As a result, the Commission for Africa was established.

While differentiated to take account of all levels of development and the specific concerns of all countries concerned, all these agreements have comprehensive partnerships based on three pillars:

- political dialogue;
- preferential trade relations; and
- significant resources devoted to development and economic cooperation.

A policy of trade liberalisation has been a major source of economic growth over recent years. Trade with the EU has grown substantially in value and quantity since the Trade Development Cooperation Agreement (TDCA) came into force on 1 January 2000. Africa must itself own the development agenda of the region. Ownership by national partners is one of the conditions of programme and policy success (European Union, 2000:12).

The Treaty establishing the European Community provides that the EU and its member states shall co-ordinate their policies on development cooperation. They shall also consult each other on their aid programmes, including within international organisations and also take common positions during international conferences.

One way of reversing the marginalisation of Africa is through active participation in trade (see Section 3.7). Trade is viewed as a catalyst to deepen regional cooperation and integration. It can foster growth and poverty reduction and be a basis for investment attraction. It is, therefore, an important instrument for sustainable economic development. FDI is a catalyst of development, not its prime mover. A catalyst will work only in the presence of other elements which can instigate the process of development (Lahiri, 2001:219).

There are countries that have integrated themselves into the world economy through trade and investment and, as a result, have enjoyed higher economic growth and an improvement in the human development index. A disadvantage in the activities of Africa is that her exports are mainly primary and unfinished goods and her imports mainly capital and intermediate goods. Again, following the experiences of the EU, there is a need to ensure balanced and mutually beneficial industrialisation of Africa, with a focus on the promotion of industrial linkages and efficient utilisation of continental resources for the creation of employment opportunities. Growth and development of the African economies is required if the continent is to satisfy the growing needs of their populations. There is political will to expand and modernise these economies, to make them internationally competitive, and to ensure that they attract the necessary investments to enable them to meet the objective of providing a better life for their citizens on a sustainable basis.

Democracy is indispensable for the success of NEPAD. However, there are two prerequisites for the success of social and economic development regeneration, namely, security and stability. Transparency, accountability and administrative efficiency are challenges facing Africa in the drive towards good governance.

As in Europe, governments must provide an environment in which individuals feel protected, civil society is able to flourish, corruption is eliminated and governments carry out their responsibilities effectively and transparently, with adequate institutional mechanisms to ensure accountability and good governance. Africa should work towards institutional effectiveness, legislative proficiency, law enforcement capacity, effective service delivery, economic management capacities and the public availability of information on the working of government.

Other challenges facing Africa in general and NEPAD in particular, include translating pledges into commitments and actual investment flows, thereby ensuring a pool from which projects can be funded. Private sector funding could also be targeted to augment the resources required for project finance. The public resource mobilisation process should be augmented by resources from the private sector.

6.4.2 Relationship with the USA

The United States of America has developed an instrument to act as a catalyst to trade with Africa, namely the African Growth and Opportunity Act (AGOA). Trade is normally promoted by the comparative advantages of its participants, contributions towards the improvement of a climate for domestic, cross-border and foreign investment, enhanced economic development and diversification, and industrialisation of the continent. AGOA was signed into law on 18 May 2000 as Title 1 of The Trade and Development Act of 2000. The Act offers tangible incentives for African

countries to continue their efforts to open their economies and build free markets. President Bush signed amendments to AGOA, also known as AGOA II, into law on August 6, 2002 as Sec. 3108 of the Trade Act of 2002. AGOA II substantially expands preferential access for imports from beneficiary Sub-Saharan African countries.

AGOA provides reforming African countries with the most liberal access to the U.S. market available to any country or region not part of a Free Trade Agreement with the United States. It supports U.S. business by encouraging reform of Africa's economic and commercial regimes, which will build stronger markets and more effective partners for U.S. firms.

AGOA expands the list of products which eligible Sub-Saharan African (SSA) countries may export to the United States subject to zero import duty under the Generalised System of Preferences (GSP). AGOA can change the course of trade relations between Africa and the United States for the long term, while helping millions of African families find opportunities to build prosperity. This occurs by providing improved access to U.S. technical expertise, credit and markets, and establishing high-level dialogue on trade and investment.

Since its implementation, AGOA has encouraged substantial new investments, trade and job creation in Africa. It has helped to promote SSA's integration into the multilateral trading system, as well as offering a more active role in global trade negotiations. It has also contributed to economic and commercial reforms which make African countries more attractive commercial partners for U.S. companies.

The proponents of AGOA argue that the programme has provided encouragement with respect to transforming the economies of SSA countries through continuous stimulation of new trade avenues for eligible members. They say that AGOA is also creating many new job

opportunities and investments in qualifying SSA countries (37). This is in addition to being seen as the best alternative for the current regime of economic loans and aid that has left Africa not only in total poverty, but also in enormous debt. A subcommittee of the Trade Policy Staff Committee (TPSC) was established to implement AGOA. According to the AGOA Journal, 2005:39, the most important implementation issues are:

- determination of country eligibility;
- determination of the products eligible for zero tariff under expansion of the Generalised System of Preferences (GSP);
- determination of compliance with the conditions for apparel benefits;
- establishment of the U.S.-Sub-Saharan Africa Trade and Economic Forum; and
- provisions for technical assistance to help countries qualify for benefits.

There is a definite need to lobby for an increase in aid to Africa to support NEPAD and the African Union. Africa's development needs as determined by Africans should also determine the nature of support required. This will enhance the development impact thereby creating a basis for effective integration of Africa into the global economy and increasing market access, amongst other benefits. However, some analysts in Africa argue that despite Prime Minister Blair's Commission on Africa, real action that will benefit Africa lies in the Common Agricultural Policy. The continued failure to get rid of European and American protectionism kills people in Africa (Orakuwe, 2004:50).

6.5 Summary

This chapter placed emphasis on the requirements for the successful attraction of investments into Africa. The funds to finance development projects in support of NEPAD are not sufficient from the budgets of African

governments and thus require augmentation. The continent requires FDI to stimulate economic growth and development. However, a politically stable situation is required to sustain FDI inflows.

The perception about Africa as a high risk investment destination can be mitigated by the commitment to democracy by the African Union and all its member states. Administrative barriers to investment should be removed, due to their negative multiplier effect on regional investment mobilisation. Valuable lessons from communities such as the EU and the USA have demonstrated the benefits that can accrue from the integration of various economies.

CHAPTER 7: RESEARCH FINDINGS, RECOMMENDATIONS AND CONCLUSIONS

7.1 Introduction

Expectations about NEPAD as a programme that can save Africa from underdevelopment and poverty are very high. It is therefore important for the AU to work hard to implement the programme in such a way as to change the lives of the people for the better, if it is to retain its credibility both in Africa and among international partners.

The NEPAD vision is one of a common future, a future in a regional community that will ensure economic well-being, improvement of the standards of living and quality of life, freedom and social justice and peace and security for the peoples of Africa. This shared vision is anchored on the common values and principles and the historical and cultural affinities that exist among the peoples of Africa. The vision incorporates the desire to promote sustainable and equitable economic growth and socio-economic development through efficient production systems, deeper regional cooperation and integration, good governance, and durable peace and security, so that the region emerges as a competitive and effective player in the international economy.

It should be appreciated that different scholars and leaders in Africa hold different views about the significance of NEPAD and its ability to deliver Africa from the poverty trap. It is the view of the researcher that NEPAD is a dynamic programme with the potential to fulfil its goals. It is the adherence to the principles enshrined in the NEPAD founding document by all, whether or not they believe in NEPAD, that are critical for its success. These principles have been discussed at length throughout this study.

If Africa is to witness a renaissance, the key challenge for AU member states is the eradication of poverty. The desire of the majority of the human race for emancipation from the dehumanising poverty trap towards development and prosperity is at the centre of human development. This is evidenced by the Millennium Development Goals (MDGs) agreed to during the World Summit on Sustainable Development (WSSD) held in South Africa in 2002. The NEPAD initiative can be used to pursue the attainment of such MDGs. It is a tool for a fundamental economic and social transformation of the continent aimed at ending the scourge of poverty and underdevelopment and strengthening the role of Africa in the global arena.

7.2 Research findings

From the literature reviewed, a number of important findings can be discerned that the foundations for the renewal of the continent have been laid through the AU and what remains is to accelerate concrete implementation of programmes, projects, strategies and policies by all stakeholders and implementing agencies. In order to realise the improvement in the quality of life for the people of Africa, certain conditionalities have to be met.

The NEPAD programme is a comprehensive and integrated development approach. It is underpinned by the need for the creation of conditions conducive for development, such as increased investment in human development, agriculture and infrastructure, strengthening key economic sectors and mobilising both internal and external resources to support such development projects.

Positive achievements in the formulation and implementation of NEPAD should manifest themselves in the creation of conditions conducive for sustainable development. Strategic interventions through NEPAD in

priority sectors should be accelerated and built on the political will and positive achievements of this initiative.

A concern is that Africa has continued to export both human and capital resources to the rich countries of the developed North. This has led to a substantial brain drain into the diaspora and has weakened Africa's capacity to realise its full potential. It has also contributed to the pervasive world phenomenon of globalisation, which has resulted in the marginalisation of Africa and confining the continent to abject poverty and underdevelopment. However, Africa is part of the global village and her participation in the global arena is not optional. One of the driving forces behind globalisation is the role played by modern information and communication technologies (ICTs) in transforming the global economy and the very lives of peoples of the world. The continent should tap into the benefits brought about by the ICT sector to free itself from the malaise of poverty and contribute to its own development.

Trade is accepted as a catalyst for economic growth and development. Thus intra-Africa trade is desirable in so far as it opens the markets of each member state to other states. Intra-Africa trade constitutes a vital element of regional economic cooperation and integration. A challenge in this regard is the difference in regulations governing trade, even within the continent itself.

Ownership of the NEPAD programme is vital for the sustainability thereof. NEPAD is a continent-developed programme, an African initiative, designed by Africans for Africa, to be executed by Africans in partnership with the rest of the world and among themselves. The NEPAD framework document was compiled by Africans, under the guidance of the initiating leaders, without outside interference.

The perception that the programme is imposed from outside requires urgent attention and clarification. It is important therefore for progress reports on the activities of the AU and NEPAD to be submitted regularly to the targeted beneficiary communities.

This should be done via the involvement of CSOs and NGOs to enhance ownership of the programme. Continuous consultation between Africans, the Secretariat, civil society and donor agencies must run parallel with the implementation of NEPAD, in order to appraise the communities with the progress of the programme. The UN's continued involvement, as custodian of the MDGs, should also be communicated to stakeholders.

The success of NEPAD is dependent on sound administrative capacity and quality of leadership in Africa. Effective leadership must have adequate administrative skills to implement NEPAD successfully. In particular, this is important for creating investor confidence, which is vital in attracting the FDI indispensable for the support of NEPAD.

African leadership is likely to come under close scrutiny by both its people and by the international community around issues of leadership and administrative capacity. This leadership should provide a basis to meet the growing demand for good governance, accountability and transparency from the citizens of the continent. To provide effective leadership is not necessarily to provide strict control which may in certain instances lead to the violation of human rights.

Partnering with the developed world was also identified as crucial to the ability of the Africa to leverage resources from multilateral institutions and the North. To this end Africa should pursue strong partnerships with the developed world, in particular the private sector, in order to strengthen solidarity and cohesion among her peoples, and to enable NEPAD to achieve its intended objectives. The private sector, as a partner, has a

vital role to play in driving the NEPAD process, seeing that it controls most of the resources and can also raise more funds in the open capital market. If NEPAD is to succeed, the AU must transform the quality of partnerships with the private sector, multilateral organisations and Aid agencies. The partnership must be based on respect for each other's sovereignty.

Equitable access to the markets of the rich countries of the North are vital for Africa's growth. Linked to this, Africa needs to ensure increased and diversified manufacturing and production, focusing on processing and product beneficiation. By removing constraints to processing and production, those countries and companies with comparative and competitive advantages will capture a larger share of the market for intermediate and finished goods.

There is commitment and political will on the part of African leaders to good governance. NEPAD is a long-term socio-economic development programme spanning a period of over twenty years, which will require adherence to good governance during all the stages of implementation. Good governance must be aimed at reinforcing a particular set of values such as accountability, transparency, honesty, and so forth. The principle of good governance is evidenced by the speedy establishment of the APRM, by which African leaders pledge to undertake self examination individually and collectively for purposes of enforcing good economic and political governance. Priorities should be set in consultation with the intended beneficiaries and should be underpinned by good governance.

For a long time Africa has been characterised by wars and political instability, some of which has been as a result of bad governance. The issues of violence and uncertainty require urgent attention by the African Union. It should be recognised that unless the issues of equity and poverty are addressed, then there is little chance that Africa will realise peace. In the final analysis, central to overcoming poverty is the issue of

good governance. The African leadership should channel all available resources to fighting poverty as it is a fundamental cause of injustice, terror and instability.

Investors perceive that investing in the continent entails high risk. This perception should be mitigated if FDI flows are to be realised. Companies tend to invest in projects that potentially have high returns on investment, in order to cover the risk brought about by perceptions of uncertainty or instability. Companies tend to avoid the more mundane, low return projects. The perception of risk is exacerbated by a lack of information regarding investment destinations and likely returns.

Given the low volume of Africa's participation in trade and related issues in the global arena, challenges facing NEPAD are insufficient capacity and preparation for negotiations and engagement with external partners. It will be worthwhile for AU member states to ensure that Africa engages with the World Trade Organisation as a united force speaking with one voice. Development partners have tended to focus on social sectors and governance issues and an appeal should be made to them to fund infrastructure as a basis for socio-economic development, leveraging further private sector finance and attracting FDI. Developing bankable projects will require a project preparation facility, which could be hosted by regional and national development banks. The World Bank and the African Development Bank could become valuable partners in this regard.

More of Africa's exports are unprocessed commodities, and most commodity prices are falling consistently. It would be rewarding for Africa to beneficiate raw materials and to export them as finished products. This is easier said than done, as there are other factors, such as plant and machinery, besides raw materials that are required during this beneficiation process. This is exacerbated by current trade rules which create serious barriers to the processing and value adding that Africa

requires in order to speed up economic growth, to generate higher income for workers, and to be able to afford the imports needed to invest in better transport systems and infrastructure necessary for development.

Investment in infrastructure by governments is an imperative. Transport expenditure, related to poor road infrastructure, inflates the cost of investment and has a negative effect on potential investors. The networks of roads and railroads in Africa are insufficient and seriously limit the capacity for growth and investment. It is very difficult to take advantage of the economies of scale without better access to regional processors and supplies.

Furthermore, the African debt burden continues to undermine Africa's development potential and creates a threat to the ability to mobilise domestic investment to support NEPAD. The Heads of State regard this as a moral and political issue that impacts on Africa's development prospects and they therefore continue to engage with international partners to resolve this crisis, lest it becomes catastrophic. This is a crisis in the sense that in many cases, the original debt has already been paid, but the structure of interest and penalties perpetuates the debts.

With the compounded cost of capital, servicing that debt would have absorbed a large proportion of those countries' fiscal revenue and foreign exchange receipts, which could otherwise have been deployed in development programmes such as education and health. Many developing countries become blacklisted, not because of unwillingness to pay, but rather because of the inability to pay resulting from the competition for meagre budgetary resource allocations and the way in which the original debt was structured. Further, this impacts negatively on the future purchasing power and borrowing capacity of those countries.

As already mentioned, NEPAD is an integral programme of the African Union. This initiative was developed by African leaders at the dawn of the new millennium, to achieve political and economic integration of the continent, among other goals. NEPAD provides new key elements which could make the difference, namely, its strong political will, African ownership, the concept of the new partnership relationship, and an implementation plan with measurable milestones.

However, challenges related to the speedy implementation of NEPAD projects still lie ahead of the African Union, for example persisting poverty, unemployment, low intra-African trade levels, the debt burden, and low levels of ODA and FDI.

7.3 Recommendations

There is overwhelming support for NEPAD as an African owned and led programme and that presents an opportunity for accelerated political, human and economic development and integration of the continent. However, the views of NEPAD critics should also be respected and interrogated.

The following recommendations are derived from the research findings of this study.

Recommendation 1:

There is a need for the creation of conditions conducive for development, increased investment in human development, agriculture and infrastructure, strengthening key economic sectors, mobilising resources and asserting relations with the industrialised world on the basis of mutual respect and acknowledgement of each country's sovereignty.

Recommendation 2:

Africa should harness its own domestic resources in order to mobilise these and the resourcefulness of the African people in the spirit of self-reliance and taking ownership of Africa's destiny. African stakeholders need to increase investment in

NEPAD programmes and projects to demonstrate commitment and ownership, while the international partners need to scale up and accelerate support to bolster African efforts.

Recommendation 3:

AU member states should create a sustainable environment conducive for development, poverty eradication, employment and growth through the adoption of progressive policies that will unlock both domestic and international resources. Member states have to take accountability and provide leadership in implementing NEPAD objectives and priorities in their respective countries and in ensuring that communities are constantly informed of the progress of the programme. This requires countries to identify the sectors in which they have a comparative advantage and where well thought-out and executed policy interventions may have the greatest impact.

Recommendation 4:

Attention must also be given to the development of key sectoral action plans and strategies, the identification of priority programmes and projects in various fields, the mobilisation of human, institutional and financial resources in support of implementation, and the mobilisation of the entire international community in support of the implementation of NEPAD. These required developments include the establishment of the implementation framework, including the AU organs and NEPAD structures, strengthening the RECs, the operationalisation of the APRM and the resolution of various instances of conflict and instability in Africa

Recommendation 5:

There is a need to mobilise domestic investment, to improve corporate governance and to engage in intra-Africa trade in order to leverage FDI. The main constraints for investment flows into Africa are the perceived political instability, unavailability of skilled labour, low levels of infrastructure, disease and inadequate financial markets. Attention must be paid to combating these constraints.

Recommendation 6:

There is a need for determination on the part of African leaders to promote and protect human and peoples' rights, consolidate democratic institutions and culture, and to ensure good governance and the rule of law. This will enable the strengthening of common institutions and provide them

with the necessary powers and resources to enable them to discharge their respective mandates effectively.

Recommendation 7:

NEPAD plans of action should be developed by African experts, thus enhancing the issue of ownership: the NEPAD Secretariat should not compromise on this. Studies, research, and projects designed to guide the implementation of the programme should be spearheaded by Africans themselves, in particular the African intelligentsia.

Recommendation 8:

Africa is richly endowed with natural resources. Therefore, Africa has to cease being merely an exporter of raw materials and capital to the developed world. Local beneficiation of raw material should be encouraged.

Recommendation 9:

The high level of indebtedness poses a major challenge to Africa's development. One way of alleviating the negative multiplier effect of the debt burden for developing countries would be a complete write-off of their debts instead of treating them as part of ODA. If the HIPC initiative is to be effective, then it should not be substantially financed by increased ODA. Caution should be exercised to ensure that the implementation of the HIPC initiative does not disadvantage other less indebted but equally poor countries. The distribution of aid should be guided not only by high poverty levels, but most importantly, by the existence of practical policies that make aid effective in reducing poverty, together with the administrative capacity to effectively apply and transparently account for aid.

Recommendation 10:

The issue of market access is indispensable for the development of Africa. Political will is a critical ingredient for better co-ordination and alignment of policies among the AU member states if the continent is to achieve broader access to global markets.

Recommendation 11:

A perception exists that NEPAD is a Western invention. Regular consultation between AU members, the Secretariat, civil society and donor agencies must be encouraged to ensure that the programme is embraced by all on the continent. This will enhance the legitimacy and the ownership of the programme in the eyes of the people it seeks to benefit. Such consultations should be in concert

with regular progress appraisals in achieving the millennium targets, which can be achieved through regional conferences and workshops. The participation of the United Nations and their continued involvement as custodian of the MDGs and the African Union should be encouraged. The challenge to make NEPAD work should be a responsibility of all the stakeholders within the African Union if poverty and underdevelopment are to be defeated. Africa has the potential to succeed and available capacities within the RECs and the diaspora should be appropriately harnessed to realise this ideal.

Recommendation 12:

Efforts should be made to coordinate various activities across the continent so that centres of excellence are established based on the capacity needs determined by Africans. Africa needs these centres to inspire its people, to change foreign negative perceptions of Africa, and to serve as models for the broader continent.

In this regard, intellectuals can play an important role by identifying and guiding such centres of excellence. Regular meetings of experts who are representative of continental and national institutions should be convened in order to allocate research responsibilities and priorities. The proposed establishment of Africa-wide Centres of Excellence could be important building blocks for local and regional development and cooperation.

Recommendation 13:

In order to mobilise human resources from among the diaspora and within the continent to support NEPAD, member states should continue to accord priority to the capacity building necessary for Africa's development. To this end, it is recommended that the AU undertakes an audit of the skills that exist within the diaspora, so that such skills can be drawn upon to support the realisation of the NEPAD goals.

In order to achieve the renaissance of the continent, the African intelligentsia and the elite should help engender a common African identity and vision that is informed by an African culture. Educational curricula should be indigenously grounded and oriented with an African focus. Failure to do so may render education irrelevant and non-responsive to the needs of the community.

Recommendation 14:

AU member states should formulate strategies that seek to stimulate employment creation, strengthen employment creation incentives, reinforce crime prevention capabilities and deepen the skills base of the economy. They should also enhance the regional environment for private sector investment, advance tax reform in support of growth, development and continued investment in new infrastructures, and maintain and rehabilitate existing infrastructures.

Recommendation 15:

Rather than seek support only from outside the continent, AU member states should among themselves share technical assistance and development experiences. Promotion of joint-ventures among AU member states is equally vital. This will serve as a catalyst for economic growth and development within the continent itself. Africa should aim to establish a Free Trade Area in order to further liberalise intra-regional trade in goods and services and to ensure efficient production. This would also contribute towards the improvement of the climate for domestic, cross-border and foreign investment and enhance the economic development, diversification and industrialisation of the region.

Furthermore, Africa should consider expanding its multilateral trade operations. Such expansion should be backed up by strong regional economic institutions that have the capacity to encourage regional economic growth and integration. Diversified production coupled with increased export of manufactured goods could leverage increased foreign exchange.

7.4 Conclusions

This study investigated the problem of mobilising investments and other developments on the African continent to support the accomplishment of the goals of NEPAD. The pertinent research question that this study investigated was ***“What factors are required to support the accomplishment of the goals of NEPAD?”***

The following conclusions are arrived at, in answer to the research question:

- Regional cooperation and economic integration can unlock investments required to support NEPAD;
- Investment flows are required to support NEPAD;
- Administrative capacity and leadership are required to attract investments; and
- The APRM is vital for the effective application of resources to support NEPAD.

Each of the above conclusions is discussed in depth in chapters 3, 4, 5 and 6 of this thesis. This chapter provided a summary of the research findings on the basis of which recommendations were made and variables identified which are required to support the accomplishment of the goals of NEPAD. Some of the recommendations may be implemented directly, but others may form a basis for further studies on this and related topics.

In conclusion, the onus is largely on AU member states to embrace NEPAD, to harmonise it with their national development plans and to collaborate with civil society actors for the cross-fertilisation of ideas in achieving the MDGs. Africans are keen to regain their human dignity and occupy their rightful place as a sovereign people and as equals within the globalising world. Africa should be determined to take up the multifaceted challenges that confront the continent and her people in the light of the social, economic and political changes taking place in the world.

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