

NEPAD: AN ECONOMIC EXPLORATION OF THE AFRICAN PEER REVIEW MECHANISM

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1. INTRODUCTION

The Nepad document was made public on 23 October 2001 in Abuja, Nigeria at a first Nepad Heads of State meeting. Nepad claims to be a holistic, comprehensive integrated strategic framework for the socio-economic development of Africa. According to the base document (Nepad, 2001: 1), African leaders share a common vision to eradicate poverty and to put the continent on a sustainable growth and development path through a new partnership between Africa and the international community.

Nepad embraces a broad range of programmes, ranging from peace, security, democracy, human rights, and good governance, to increased access to essential services, bridging the digital divide, regional integration, diversifying the African economy, an increase in capital flows to the continent and environmental protection. The Nepad document (2001:10), within the context of the United Nations Millennium Declaration adopted in September 2000, recognises the fact that the continent's underdevelopment and marginalisation could be addressed by improvements in trade, aid and capital flows. To achieve the outcomes of Nepad and the UN millennium goals, quantitative goals are set such as the achievement of an average annual economic growth rate of 7 per cent per annum to fill the annual resource gap of an estimated US\$ 64 billion (Nepad, 2001:36). Although it is recognised that the so-called resource gap could partly be filled by increases in domestic savings and improvements in public revenue collection, the bulk of the needed resources would have to be obtained from external sources, and in particular debt relief as well as increases in aid, trade and FDI flows. This is known as the market access and capital flows initiatives of Nepad.

The Nepad document (2001: 57) also envisaged mechanisms for a reviewing process to ensure that mutually agreed targets and standards are achieved. This process is known as the African Peer Review Mechanism (APRM), a voluntary process with the primary purpose of fostering the "adoption of policies, standards and practices that lead to political stability, high economic growth, sustainable development and accelerated sub-regional and continental economic integration through sharing of experiences and reinforcement of successful and best practice, including identifying deficiencies and assessing the needs of capacity building" (Nepad, 2003:1).

The Declaration of Intent on Implementation of the APRM was signed on 3 November 2002 by a number of member states. The Declaration includes the facilitation of the establishment of effective country review mechanisms. It also accepts that peer pressure will be exercised to encourage improvements

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in country practices and policies in compliance with agreed international best practice.

Nepad therefore aims to reverse the marginalisation and underdevelopment of the continent by putting it on a renewed sustainable growth and development path. Because it is assumed that Africa is marginalized due to poor policies, the APRM is seen as the tool to ensure that this goal be achieved. At the centre of this debate is the economic performance of the continent. The aim of this paper is to discuss the key objectives of the APRM and to determine to what extent they will be sufficient to address to growth constraints facing the continent.

The paper is structured as follows: Firstly, the framework for the operationalisation of the APRM will be discussed, as will the extent to which it resembles current international best practice guidelines. This will be followed by an analysis and/or evaluation of the stated key objectives on the sustainable development performance of the continent. Thirdly, the more recent growth experience on the continent will be tested empirically to determine the drivers of growth as well as to what extent the current policy initiatives are sufficient to address them.

2. THE FRAMEWORK OF THE APRM

The APRM identifies four substantive areas in the *Nepad Declaration on Democracy, Political, Economic and Corporate Governance* (2003:3), namely democracy and political governance; economic governance and management; corporate governance and socio-economic development. As was stated earlier, the purpose of the peer review document is “to provide a clear framework to guide the design and implementation of the assessment in each of these areas” (Nepad, 2003:4).

The framework for the operationalisation of the APRM is shown in Table 1. It shows the four substantive areas of Nepad, as well as the key objectives for each area. For each key objective various standards are set, as well as indicative criteria and examples of indicators.

Table 1: Framework for the operationalisation of the APRM

| SUBSTANTIVE AREAS | KEY OBJECTIVES |
|---------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Democracy and political governance | <ul style="list-style-type: none"> ▪ Conflict reduction and prevention ▪ Constitutional democracy ▪ Protection of human rights ▪ Uphold the separation of powers ▪ Ensure accountable public servants ▪ Fighting political corruption ▪ Protection of rights of children ▪ Protection of rights of vulnerable groups |
| 2. Economic governance and management | <ul style="list-style-type: none"> ▪ Promote macroeconomic policies supportive of sustainable development ▪ Implement transparent, predictable and |

| | |
|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>credible economic policies</p> <ul style="list-style-type: none"> ▪ Promote sound public finance management ▪ Fight corruption ▪ Accelerate regional integration |
| 3. Corporate governance | <ul style="list-style-type: none"> ▪ Provide an enabling environment for economic activities ▪ Ensure that corporations respect human rights, social responsibility and environmental sustainability ▪ Promote the adoption of codes of good business ethics ▪ Ensure that corporations treat all their stakeholders in a fair and just manner ▪ Ensure accountability of corporations and shareholders |
| 4. Socio-economic development | <ul style="list-style-type: none"> ▪ Promote self-reliance in and self-sustaining development ▪ Accelerate socio-economic development to achieve poverty alleviation ▪ Strengthen policies in key social development areas ▪ Ensure affordable access to services ▪ Progress towards gender equality ▪ Encourage broad participation in all levels of development |

Source: *Nepad, 2003*

The key objectives of the democracy and political governance area include conflict management, rule of law, the fighting of political corruption, the protection of all aspects relating to human rights and accountable, and efficient and effective public servants. The economic governance and management area includes all aspects of sound macroeconomic policy stability as well as the acceleration of regional integration through the harmonisation of monetary, trade and investment policies. The corporate governance area includes all relevant measures to ensure, firstly, that an enabling and effective regulatory environment is created where economic activity can flourish, and secondly, measures to ensure the accountability of corporate entities. The socio-economic area includes relevant measures to alleviate poverty and accelerate broad-based socio-economic development.

The standards for each key objective, as well as the indicative criteria are extremely extensive and include in each case whether the relevant country has ratified and complies with the measures and standards set in related international conventions, summits and declarations, and whether it has been incorporated in national policy documents. Only in some cases do the indicative criteria and examples of indicators refer to an assessment or measurement of a particular objective, which is essentially the true measure of the status of the objective in a country.

In Draft 8 of the *Objectives, Standards, Criteria and Indicators for the APRM* (2003:2) it is acknowledged that countries will start from different base lines

and will not be expected to reach their highest level of performance at the same time. It is envisaged that a base review will be conducted in all countries, followed by country-specific programmes of action, where commitment towards time frames of achieving the goals and objectives for each country will be stated.

The APRM is therefore an extensive and broad process with more emphasis on political commitments and compliance with policy measures, than on whether the policy measures are implemented and therefore the true status of the stated standard.

The APRM seems to differ in emphasis from other international reviews or structural reform programmes of this nature. The success of the APRM process is not a prerequisite for any funding or membership as in the case of countries who want to qualify as members of the European Union or in circumstances where countries have to qualify for funds from multilateral institutions. The APRM is more in line with the status of the Washington Consensus and the Structuralist Synthesis², where a number of interested parties agree on the international best practice guidelines for development, without any enforcing powers.

Table 2 represents a comparison of the APRM-Nepad guidelines to the international best practice guidelines of the Washington Consensus and the Structuralist Synthesis. From the table it is evident that the guidelines for structural reform in Nepad differ substantially from those suggested in the Washington Consensus and in the Structuralist Approach. Firstly, the Nepad guidelines are broader on the political and corporate governance side, while the emphasis in the other two sets of international best practice guidelines is largely of an economic nature. Secondly, the comparison could create the impression that, with reference to some guidelines, all three approaches are in principle in agreement, which is indeed wrong. Although they may be in agreement in principle, they in effect differ in substance. Two examples are the trade reform and fiscal deficit guidelines. On the trade reform guideline the Nepad perspective entails the diversification of production, promotion of intra-African trade and better access to export markets. From the Washington Consensus point of view, trade reform implies trade liberalisation, while the structuralist point of view is that trade reform based on tariffs is not necessarily superior to those based on the modified use of quotas (Calitz, 2002:221). Regarding fiscal discipline, the Nepad focus is on budgetary reform and management, in contrast with the Washington Consensus's quantifiable limit of a 2% deficit. Thirdly, an important difference between the Nepad-APRM framework and the other two frameworks is the fact that the Nepad-APRM does not refer at all to trade reform measures (with the exception of intra-Africa trade) and substantive measures to monitor the capital flow initiative. Lastly, the APRM-Nepad framework does not suggest any policy sequence in the reform process. According to Calitz (2002:222)

² For a detailed analysis of these two sets of international best practice, see article by Calitz, 2002.

experience in various countries in the 1990s indicated that reform programmes could underperform or fail if steps are taken in the wrong order.

It can be concluded that although Nepad is comprehensive, the stated objectives of the APRM are incomplete, especially with reference to the economic principles, and differ substantially with international best practice guidelines.

Table 2: A comparison of policy guidelines between APRM-Nepad, the Washington Consensus and the Structuralist Synthesis

| GUIDELINE | NEPAD-APRM | WASHINGTON CONSENSUS | STRUCTURALIST SYNTHESIS |
|----------------------------------------|-------------------|-----------------------------|--------------------------------|
| Democracy and political governance | * | | |
| Fiscal discipline | * | * | * |
| Public expenditure priorities | * | * | * |
| Tax reform | | * | |
| Trade reform | * | * | * |
| Financial liberalisation | | * | * |
| A single and competitive exchange rate | | * | |
| Privatisation | | * | |
| Deregulation | | * | |
| Encouragement of FDI | * | * | |
| Encouragement of ODA | * | | |
| Decrease in debt | * | | |
| Regional integration | * | | |
| Secured property rights | * | * | |
| Sound corporate governance | * | | |
| Gender issues | * | | |
| Socio-economic development | * | | * |

Sources: Based on Calitz, 2002:221 and own interpretation of Nepad and the APRM

3. SUSTAINABLE DEVELOPMENT IN AFRICA: A CRITICAL ANALYSIS

The analysis of the current state of sustainable development in African countries will be performed under the four main substantive areas where the most important key objectives will be proxied with quantifiable measures in order to provide a critical analysis of the current state of African countries.

3.1 Democracy and political governance

Democracy and political governance has as its overall objective “to consolidate a constitutional political order in which the separation of powers, respect for human rights, the rule of law, democracy and effective, responsive public service are realised to ensure sustainable development and a peaceful and stable society” (Nepad, 2003: 4).

Nepad recognises that democracy and good governance are the foundations of and a vital prerequisite for the sustainable development of the continent. It is also important to note that the economic performance of Africa has in the past and will in the future to a large extent depend on good political governance. Table 3 provides a broad picture on the current stance of some aspects on democracy and political governance in all African countries. The column on the political regimes shows that although the majority of countries claim to have one or another form of republic or democracy, they still differ from how these forms of government are defined and experienced anywhere else in the world.

Political uncertainty appears to be high on the African continent. Adam and O’Connell (1997:8) emphasise the fact that it is generally accepted that the continent is currently the most violent region in the world. From Table 3 it is evident that approximately one-third of all African countries are experiencing conflict. This trend is destabilising for the neighbouring countries as well as for the continent.

The *Economic Freedom of the World 2003 Annual Report* (Fraser Institute, 2003) provides ratings on various measures of economic freedom. The rating on the legal structure and security of property rights³ shows that only a limited group of six African countries have acceptable legal structures and do indeed secure property rights. The best performing country in 2001 was Namibia, followed by Botswana, Tunisia, Mauritius, South Africa and Tanzania.

Concerning the Corruption Perception Index it is important to note that only 20 African countries have been included in the total of 102 countries ranked. From the list of 20 countries, it is only in Botswana that the level of corruption is perceived to be low. In all remaining African economies the level of corruption is perceived to be fairly high. The Index also indicates that only 27 countries out of the total of 102 countries surveyed achieved scores in excess of six, implying that 75% of the countries included in the survey experience unacceptable levels of corruption. This is indicative of the fact that corruption

³ This analysis includes the rule of law, legal security of private ownership, protection of intellectual property, judicial independence, legal corruption and impartial courts (Gwartney and Lawson, 2001:26).

is a world phenomenon and not only limited to African countries, a viewpoint shared by Adam and O'Connell (1997:8).

Table 3: Democracy and political governance in Africa

| COUNTRIES | FORMS OF GOVERNMENT | LEGAL STRUCTURE AND SECURITY OF PROPERTY RIGHTS | CONFLICTS | CORRUPTION PERCEPTION INDEX |
|-------------------|---------------------------------------|--------------------------------------------------------|------------------|------------------------------------|
| Algeria | Republic | 2.9 | | |
| Angola | Republic | | | 1.7 |
| Benin | Republic | 4.3 | | |
| Botswana | Republic | 7.0 | | 6.4 |
| Burkina Faso | Republic | | Yes | |
| Burundi | Republic | 3.3 | Yes | |
| Cameroon | Republic | 4.4 | | 2.2 |
| Cape Verde | Republic | | | |
| Central Af. Rep | Republic | 4.3 | Yes | |
| Chad | Republic | 4.2 | Yes | |
| Comoros | Republic | | | |
| Congo | | 2.4 | | |
| Congo Dem Rep | Transitional | 2.4 | Yes | |
| Cote D'Ivoire | Republic | 3.7 | Yes | 2.7 |
| Djibouti | Republic | | | |
| Egypt | Republic | 4.6 | | 3.4 |
| Equatorial Guinea | Republic | | | |
| Eritrea | Transitional | | | |
| Ethiopia | Republic | | | 3.5 |
| Gabon | Republic | 4.3 | | |
| Gambia | Republic | | | |
| Ghana | Constitutional Democracy | 4.2 | | 3.9 |
| Guinea | Republic | 4.4 | Yes | |
| Guinea Bissau | Republic | 3.0 | Yes | |
| Kenya | Republic | 4.0 | | 1.9 |
| Lesotho | Parliamentary constitutional monarchy | | | |
| Liberia | Republic | | Yes | |
| Libya | Military dictatorship | | | |
| Madagascar | Republic | 4.6 | | 1.7 |
| Malawi | Multiparty democracy | 5.3 | | 2.9 |
| Mali | Republic | 5.0 | Yes | |
| Mauritania | Republic | | | |
| Mauritius | Parliamentary democracy | 6.7 | | 4.5 |
| Morocco | Constitutional monarchy | 5.9 | | 3.7 |
| Mozambique | Republic | | | |
| Namibia | Republic | 7.9 | | 5.7 |
| Niger | Republic | 4.4 | | |
| Nigeria | Republic | 3.1 | Yes | 1.6 |
| Rwanda | Republic | 2.0 | Yes | |
| Sao Tome and | Republic | | | |

| | | | | |
|--------------|--------------------------|-----|-----|-----|
| Pr. | | | | |
| Senegal | Republic | 4.4 | Yes | |
| Seychelles | Republic | | | |
| Sierra Leone | Constitutional democracy | 3.5 | Yes | |
| Somalia | Transitional | | | |
| South Africa | Republic | 6.6 | | 4.8 |
| Sudan | Authoritarian regime | | Yes | |
| Swaziland | Monarchy | | | |
| Tanzania | Republic | 6.1 | | 2.7 |
| Togo | Transitional | 3.7 | | |
| Tunisia | Republic | 6.9 | | 4.8 |
| Uganda | Republic | 4.6 | Yes | 2.1 |
| Zambia | Republic | 5.9 | | 2.6 |
| Zimbabwe | Parliamentary democracy | 2.6 | | 2.7 |
| All Africa | | 4.5 | | 3.3 |

Sources: *Fraser Institute, 2003*
Transparency International, 2002
CIA World Fact Book

3.2 Economic governance and management

Good economic governance and management are essential components for promoting sustainable growth and reducing poverty on the continent. The key objectives identified in this regard include the promotion of macroeconomic policies to support economic growth; the implementation of transparent, predictable and credible government economic policies and the promotion of sound public finance policies; the curbing of corruption and money laundering⁴ and the acceleration of regional integration (Nepad, 2003:13,14).

Macroeconomic stability in general in Africa has been fragile and uneven over the past decade. The growth performance of African countries over the past decade was much slower than growth experienced in other developing regions in the world. The continent was on a par with the average real world growth of 2.6%, but still lags behind the average real growth performance of the developing world (5.4%), Latin America (3.3%), East Asia (7.3%) and South Asia (5.2%) (World Bank, 2002). Although the growth performance of African countries has accelerated over the past five years to 3.3%, so has world growth (3.5%) as well as average growth in developing countries (4.6%), and this again entrenches Africa's marginalization in the global economy (ADB, 2002:6). The 3.3% growth performance falls woefully short of the 7% average real growth set in the millennium development goals to reach the target of halving poverty on the continent by 2015.

Table 4 provides a summary of the economic performance of the different sub-regions on the continent over the past five years. Prosperity is unevenly spread over the continent and dominated by economic activity in North and Southern Africa. From the table it is evident that 73% of economic activity is

⁴ This aspect was discussed under the democracy and political governance area.

concentrated in the North and Southern Africa regions. These two regions also contribute approximately 70% towards Africa's trade and have the largest per capita incomes on the continent. During the period 1997 to 2001 East and North African economies outperformed the average economic growth in the continent, while West African economies were on a par with the average growth for the region. Central and Southern African economies achieved below average real growth rates. While Southern African economies have the highest GDP per capita in the region, the region has the second largest share in Africa's output and trade. North Africa is by far the largest contributor to African GDP and trade. Central Africa, marked by civil strife and political instability, is the most disadvantaged region.

Table 4: A sub-regional economic overview, 1997-2001

| Region | Real GDP Growth Rate | GDP Per Capita (US\$) | Share In Africa's GDP, 2001 | Share In Africa's Trade, 2001 |
|-----------------|----------------------|-----------------------|-----------------------------|-------------------------------|
| Central Africa | 1.4 | 294 | 5.0 | 6.1 |
| East Africa | 3.9 | 248 | 8.3 | 6.1 |
| North Africa | 3.9 | 1367 | 45.6 | 40.2 |
| Southern Africa | 2.5 | 1463 | 27.1 | 29.6 |
| West Africa | 3.3 | 347 | 14.0 | 18.1 |
| Africa | 3.3 | 744 | 100.0 | 100.0 |

Source: ADB, 2002 & World Bank, 2003

The ten largest economies in Africa are shown in Table 5. The largest economy in the region is South Africa, which contributed approximately 21 per cent to the region's GDP in 2001. The only other Southern African economy in the top-ten list is Angola. The top-ten list is largely dominated by economies in North Africa, with the exception of Nigeria and Kenya, the only economies from West Africa and East Africa, respectively. This group of ten economies, out of a total of 53 economies on the continent, contributes 77 per cent to the continental output. This is indicative of the uneven spread of wealth and income on the continent. Another significant aspect is the fact that six of the top-ten countries – Egypt, Algeria, Nigeria, Libya, Tunisia and Angola – are primarily oil exporters.

Table 5: Africa's ten largest economies, 2001

| Rank | Country | GDP At Current US\$ (Billion) | Weight in Total African GDP |
|------|--------------|-------------------------------|-----------------------------|
| 1 | South Africa | 112,9 | 20.7 |
| 2 | Egypt | 93,5 | 17.1 |
| 3 | Algeria | 54,6 | 10.0 |
| 4 | Nigeria | 41,5 | 7.6 |
| 5 | Morocco | 34,0 | 6.2 |
| 6 | Libya | 33,4 | 6.1 |
| 7 | Tunisia | 20,1 | 3.7 |

| | | | |
|-----------|--------|-------|------|
| 8 | Sudan | 12,6 | 2.3 |
| 9 | Kenya | 10,4 | 1.9 |
| 10 | Angola | 9,3 | 1.7 |
| | Total | 422,2 | 77.3 |

Source: ADB, 2002:3

Continent-wide generalisations mask important economic facts about Africa. Economic growth has not been dismal in all countries – there are quite a number of countries that have managed to grow at respectable rates over the past decade. The fourteen economies that succeeded in achieving an average real economic growth rate in excess of four per cent during the past decade are listed in Table 6 below. The top achiever for the period under discussion was Equatorial Guinea, with an average growth rate of 25.2 per cent. This is a classic example of the impact of the discovery of oil in the country. Concerning the remaining countries, no single explanation for their respective performances can be advanced. In the case of Botswana, Egypt and Mauritius, the sustainable growth pattern can be ascribed to a combination of good policies supported by good fortune (ADB, 2002:11). The remaining countries are mostly emerging out of conflict and have developed from a very low base. Only the top two performers on the list succeeded in maintaining a higher than 7% growth rate over the past decade.

Table 6: Top average real economic growth performers, 1991-2001.

| Rank | Country | Average Growth Rate |
|-------------|-------------------|----------------------------|
| 1 | Equatorial Guinea | 25.2 |
| 2 | Namibia | 9.8 |
| 3 | Uganda | 6.4 |
| 4 | Mozambique | 6.0 |
| 5 | Sudan | 5.8 |
| 6 | Cape Verde | 5.6 |
| 7 | Botswana | 5.5 |
| 8 | Mauritius | 5.3 |
| 9 | Burkina Faso | 5.1 |
| 10 | Tunisia | 4.8 |
| 11 | Benin | 4.4 |
| 12 | Egypt | 4.3 |
| 13 | Mauritania | 4.2 |
| 14 | Ethiopia | 4.2 |

Source: ADB, 2002:230

Other macroeconomic variables – see Table 7 - indicate a variable degree of macroeconomic stability in African countries. On the fiscal side, government deficit as percentage of GDP improved over the past decade. The government deficit for African countries for the period 1991 to 2001 averaged 3.8% of GDP, but improved to 2.7% over the past five years (ADB, 2002:1,240). This average deficit is within the limit of 3% prescribed by the IMF as acceptable. Twelve individual countries also succeeded in maintaining a 3% or lower deficit for the period 1991-2001 (marked with asterisk in table). Since the mid-1990s most African countries have pursued policies of fiscal

consolidation (ADB, 2002:15,16). This has been achieved through a combination of spending cuts, aggressive revenue-promotion strategies, the running down of stabilization funds, the use of privatisation proceeds as current revenue and the reduction of debt service obligations. However, the challenge is still to improve on the existence of a general lack of capacity to deliver basic services. This is evident in examples such as the fact that only 60% of people on the continent have access to sanitation and 62% to fresh drinking water.

On the monetary policy side, the evidence is that it remains moderately tight. The more restrictive monetary policy stance, coupled with fiscal consolidation, contributed towards lower inflation and more moderate exchange rate fluctuations in the majority of African countries. The average rate of inflation for all countries during the past decade was 22%. This rate declined to an average of 12.7% over the past five years (ADB, 2002:1,239). During the past decade more than half of all African countries achieved single digit inflation rates on average (marked with an asterix in the table). In 2001 three-quarters of the countries achieved single-digit inflation rates, an impressive performance. Excessively high levels of inflation are being experienced in the politically unstable economies of Angola, the DRC and Zimbabwe. However, a serious threat to monetary stability is still posed by the inherent instability in African currency markets that can be caused by instability in world financial markets and other forces of globalisation.

Table 7 shows that the debt to GNI ratio in African countries is still high. Only one third of the countries maintained debt ratios at acceptable levels (see those marked with asterix in table). Ten countries still have a 1:1 or higher ratio. However, Africa's foreign debt situation is on the recovery path as the 20 Highly Indebted Poor Countries (HIPC) moved faster to solve their respective debt problems. The agreement reached under the Enhanced HIPC Initiative will reduce the levels of their respective external debt levels with the commitment of countries to spend the saved budget expenditure on anti-poverty programmes. This should eventually decrease the financial constraints and limitations on growth in these countries. However, research by the OECD (2002:28) indicates that the Enhanced HIPC Initiative will help stabilise these country's finances, but to alleviate poverty they have to improve their national capacities and quality of governance significantly.

A question that needs to be asked is whether macroeconomic stability contributes to growth? If the data used in Table 7 – inflation, debt and the deficit - is taken as proxies for macroeconomic stability, mixed results are obtained, which confirms the fact that macroeconomic stability is a necessary but not sufficient condition for economic growth. Table 7 indicates that only Benin, Senegal and Swaziland increased their per capita income growth on average during the past decade while maintaining macroeconomic stability. In the case of Swaziland only a marginal increase of 0.1% was achieved. However, eleven countries – Botswana, Burkina Faso, Cape Verde, Egypt, Equatorial Guinea, Gambia, Lesotho, Mauritania, Namibia, Seychelles and South Africa - complied with two of the three macroeconomic stability measures and still maintained a positive growth rate for the decade.

Countries such as Ethiopia, Guinea, Mali, Mauritius, Tunisia and Uganda succeeded in maintaining per capita growth while only complying with only one macroeconomic stability measure. By contrast, countries like Mozambique and Sudan achieved average real per capita growth rates of 4.3% and 3.2% respectively, coupled with macroeconomic instability. A possible explanation could be that these two countries developed from a very low base.

Table 7: African macroeconomic indicators

| Countries | Per Capita Growth, 1990-2001 | Government Deficit To GDP, 1990-2001 | Inflation Rate, 1990-2001 | Debt To GNI, 1995-2000 |
|-------------------|-------------------------------------|---------------------------------------------|----------------------------------|-------------------------------|
| Algeria | 0.1 | 0.3* | 15.6 | 65.0 |
| Angola | -1.1 | -14.4 | 1007.3 | 331.5 |
| Benin | 1.9* | -1.2* | 7.2* | 41.1* |
| Botswana | 2.5* | 4.0* | 10.1 | 8.8* |
| Burkina Faso | 2.0* | -3.5 | 4.7* | 29.6* |
| Burundi | -4.3 | -4.8 | 15.0 | 84.1 |
| Cameroon | -0.3 | -3.2 | 5.4* | 96.1 |
| Cape Verde | 3.5* | -10.3 | 4.9* | 30.1* |
| Central Af. Rep | -0.3 | -3.8 | 4.3* | 53.8* |
| Chad | -0.5 | -6.1 | 8.0* | 39.9* |
| Comoros | -1.4 | -3.4 | 5.0* | 65.5 |
| Congo | -1.6 | -9.8 | 7.2* | 227.9 |
| Congo Dem Rep | -7.7 | -10.2 | 3147.6 | 226.4 |
| Cote D'Ivoire | 0.1 | -5.4 | 6.1* | 122.3 |
| Djibouti | -3.6 | -5.4 | 3.7* | Na |
| Egypt | 2.5* | -4.6 | 8.5* | 1.0* |
| Equatorial Guinea | 18.8* | -1.4* | 6.8* | 54.3 |
| Eritrea | 2.5 | Na | Na | 3.7* |
| Ethiopia | 2.4 | -6.6 | 6.7* | 95.2 |
| Gabon | -0.1 | 0.2* | 3.2* | 108.9 |
| Gambia | 0.1* | -2.0* | 4.2* | 60.1 |
| Ghana | 1.9 | -7.9 | 27.6 | 61.6 |
| Guinea | 1.6 | -3.1 | 7.4* | 74.6 |
| Guinea Bissau | -1.3 | -11.7 | 32.1 | 292.4 |
| Kenya | -0.6 | -2.6* | 14.8 | 47.9* |
| Lesotho | 2.1* | -0.4* | 10.0 | 42.4* |
| Liberia | Na | Na | 9.5* | Na |
| Libya | Na | Na | 20.5 | Na |
| Madagascar | -0.6 | -5.2 | 16.5 | 84.7 |
| Malawi | 1.5 | -6.1 | 32.8 | 85.8 |
| Mali | 1.6 | -9.1 | 4.1* | 66.8 |
| Mauritania | 1.2* | 0.2* | 6.1* | 135.5 |
| Mauritius | 3.9 | -4.0 | 6.5* | 61.3 |
| Morocco | 0.7 | -3.8 | 3.7* | 52.1 |
| Mozambique | 4.3 | -3.6 | 28.3 | 105.1 |
| Namibia | 2.2* | -3.4 | 9.9* | 1.0* |
| Niger | -0.9 | -3.9 | 4.6* | 54.4* |
| Nigeria | -0.3 | -1.7* | 29.6 | 95.8 |
| Rwanda | -1.3 | -5.3 | 14.3 | 38.3* |
| Sao Tome | -0.6 | -30.3 | 30.8 | 426.2 |
| Senegal | 1.1* | -0.9* | 4.2* | 50.3* |
| Seychelles | 0.1* | -8.3 | 2.7* | 27.4* |
| Sierra Leone | -6.6 | -9.1 | 31.5 | 126.5 |
| Somalia | Na | -7.1 | 21.2 | Na |
| South Africa | 0.2* | -4.0 | 8.7* | 18.8* |

| | | | | |
|------------|------|-------|------|-------|
| Sudan | 3.2 | -11.1 | 68.6 | 218.6 |
| Swaziland | 0.1* | -0.7* | 9.5* | 15.1* |
| Tanzania | 0.4 | -5.8 | 18.7 | 50.4 |
| Togo | -0.6 | -4.3 | 6.6* | 76.8 |
| Tunisia | 3.1 | -4.9 | 4.2* | 57.4 |
| Uganda | 3.6 | -5.7 | 12.1 | 26.2* |
| Zambia | -1.7 | -13.2 | 64.0 | 156.6 |
| Zimbabwe | -0.2 | -7.8 | 36.0 | 65.2 |
| All Africa | | -3.8 | 22.0 | 89.0 |

Sources: UNDP, 2003:278-281
 ADBa, 2002: 238, 240
 World Bank, 2003 African Development Indicators
 ADBb, 2002:51

The APRM also stresses the importance of the acceleration of regional economic integration, with particular reference to the promotion and encouragement of intra-African trade and investment (Nepad, 2003: 17). There are currently fifteen sub-regional economic communities within Africa, of which five are considered as possible building blocks for the establishment of an African economic community (Botha, 2003:65). They are AMU, COMESA, ECCAS, ECOWAS and SADC⁵. The existing regional structure is extremely fragmented with a large number of countries enjoying multiple memberships on the sub-regional as well as on the regional level. This could complicate intra-regional trade – currently only 9.5% of African exports and 9.8% of imports were intra-African – as well as increased access to international markets and in international free trade agreements.

3.3 Corporate governance

Sound corporate governance ethics, practices and values are important to facilitate and align the interests of individuals, corporations and society (Nepad, 2003:17,18). It is important to structure these in such a way that they create an enabling environment for private business to flourish without compromising the interests of individuals or societies.

The measurement of sound corporate governance is problematic. However, an annual survey known as the *Economic Freedom of the World Annual Report* (Fraser Institute, 2003) publishes two specific indicators that could be used as proxies for corporate governance. The regulation of credit, labour and business includes to what extent these three markets are regulated and therefore conducive or restrictive to business. The second proxy represents the extent to which the business environment has the freedom to exchange with foreigners, including taxes on international trade, non-tariff regulatory trade barriers, costs of importing, the actual versus expected size of the trade sector and the black market premium (Gwartney and Lawson, 2001:29). The

⁵ AMU = Arab Maghreb Union; COMESA = Community of Eastern and Southern African States; ECCAS = Economic Community of Central African States; ECOWAS = Economic Community of West African States; SADC = Southern African Development Community.

ratings⁶ of these measures for African countries included in the Report are shown in Table 8.

The table shows that Namibia has the least restrictive regulation relating to credit, labour and business, followed by Botswana, South Africa, Kenya, Tunisia and Cameroon. All the remaining African countries achieved a lower than six score, indicating a restrictive business environment. On the second proxy – the extent of freedom to exchange with foreigners – the report indicates that almost half of the African countries listed are keen to exchange business with foreigners. The highest-scoring country in this regard is Zambia, followed by other high scorers such as Botswana, Uganda, South Africa, Ghana, Congo, Kenya, Mauritius and Nigeria. This could be indicative of the fact that a large number of African countries are keen to participate in the global economy, but that the national regulatory environment is too restrictive.

⁶ The ratings are on a scale of one to ten, where ten represents total freedom.

Table 8: Indicators of corporate governance

| Countries | Regulation of Credit, Labour and Business | Freedom to Exchange with Foreigners |
|------------------|--------------------------------------------------|--------------------------------------------|
| Algeria | 3.7 | 5.8 |
| Benin | 5.1 | 5.5 |
| Botswana | 6.7 | 7.9 |
| Burundi | 5.5 | 4.3 |
| Cameroon | 6.0 | 5.8 |
| Central Af. Rep | 4.5 | 4.8 |
| Chad | 4.6 | 5.8 |
| Congo | 4.7 | 7.1 |
| Congo Dem Rep | 4.6 | 3.2 |
| Cote D'Ivoire | 5.4 | 6.1 |
| Egypt | 5.0 | 6.1 |
| Gabon | 5.6 | 5.6 |
| Ghana | 5.8 | 7.5 |
| Guinea Bissau | 5.6 | 6.1 |
| Kenya | 6.2 | 7.1 |
| Madagascar | 4.8 | 5.6 |
| Malawi | 5.7 | 5.9 |
| Mali | 4.8 | 6.5 |
| Mauritius | 5.7 | 7.1 |
| Morocco | 5.3 | 5.6 |
| Namibia | 7.2 | 6.5 |
| Niger | 4.6 | 5.9 |
| Nigeria | 5.9 | 7.0 |
| Rwanda | 5.8 | Na |
| Senegal | 4.9 | 5.8 |
| Sierra Leone | 5.2 | 4.5 |
| South Africa | 6.5 | 7.3 |
| Tanzania | 5.8 | 5.6 |
| Togo | 4.6 | 6.2 |
| Tunisia | 6.1 | 6.4 |
| Uganda | 5.6 | 7.5 |
| Zambia | 5.7 | 8.3 |
| Zimbabwe | 4.7 | 5.7 |
| All Africa | 5.4 | 6.1 |

Source: *Fraser Institute, 2003*

3.4 Socio-economic development

The marginalisation of African countries is perhaps the most visible on the socio-economic level. Table 9 shows that out of a total of 53 countries, only 19 or 35% are classified as having a medium level of human development in 2001 and only one – Seychelles – as having a high level of human development. The majority of African countries are still on a low level of human development. The human development index for all Africa also only improved marginally from 0.43 to 0.49 for the period 1980 to 2001. Although poverty figures are not available for all countries, estimates show that approximately 40% of the African population lives on less than US\$1 per day (the highest incidence of poverty in the world), while Africa is the world's

richest continent in terms of natural resources. This is indicative of the so-called African paradox (Ajaji, 2003:5).

Table 9: Human development index for African countries, 1980 and 2001

| COUNTRIES | HDI 1980 | HDI 2001 | HDI 2001 RANK | POVERTY |
|-----------------------|-----------------|-----------------|----------------------|----------------|
| Algeria | 0.56 | 0.70 | Medium | 2.0 |
| Angola | Na | 0.38 | Low | Na |
| Benin | 0.32 | 0.41 | Low | Na |
| Botswana | 0.57 | 0.61 | Medium | 23.5 |
| Burkina Faso | 0.26 | 0.33 | Low | 61.2 |
| Burundi | 0.31 | 0.34 | Low | 58.4 |
| Cameroon | 0.45 | 0.50 | Low | 33.4 |
| Cape Verde | 0.59* | 0.73 | Medium | Na |
| Central African Rep | 0.36 | 0.36 | Low | 66.6 |
| Chad | 0.27 | 0.38 | Low | Na |
| Comoros | 0.48 | 0.53 | Medium | Na |
| Congo | 0.51 | 0.50 | Medium | Na |
| Congo Democratic Rep | 0.43 | 0.36 | Low | Na |
| Cote D'Ivoire | 0.41 | 0.40 | Low | 12.3 |
| Djibouti | Na | 0.46 | Low | Na |
| Egypt | 0.48 | 0.65 | Medium | 3.1 |
| Equatorial Guinea | Na | 0.66 | Medium | Na |
| Eritrea | Na | 0.45 | Low | Na |
| Ethiopia | 0.28* | 0.36 | Low | 81.9 |
| Gabon | Na | 0.65 | Medium | Na |
| Gambia | Na | 0.46 | Low | 59.3 |
| Ghana | 0.47 | 0.57 | Medium | 44.8 |
| Guinea | Na | 0.43 | Low | Na |
| Guinea Bissau | 0.27 | 0.37 | Low | Na |
| Kenya | 0.49 | 0.49 | Low | 23.0 |
| Lesotho | 0.52 | 0.51 | Medium | 43.1 |
| Madagascar | 0.43 | 0.47 | Low | 49.1 |
| Malawi | 0.34 | 0.39 | Low | 41.7 |
| Mali | 0.26 | 0.34 | Low | 72.8 |
| Mauritania | 0.37 | 0.45 | Low | 28.6 |
| Mauritius | 0.65 | 0.78 | Medium | Na |
| Morocco | 0.47 | 0.61 | Medium | 2.0 |
| Mozambique | 0.31 | 0.36 | Low | 37.9 |
| Namibia | Na | 0.63 | Medium | 34.9 |
| Niger | 0.26 | 0.29 | Low | 61.4 |
| Nigeria | 0.38 | 0.46 | Low | 70.2 |
| Rwanda | 0.39 | 0.42 | Low | 35.7 |
| Sao Tome and Principe | Na | 0.64 | Medium | Na |
| Senegal | 0.33 | 0.43 | Low | 26.3 |
| Seychelles | Na | 0.84 | High | Na |
| Sierra Leone | Na | 0.28 | Low | 57.0 |
| South Africa | 0.68 | 0.68 | Medium | 2.0 |
| Sudan | 0.38 | 0.50 | Medium | Na |
| Swaziland | 0.54 | 0.55 | Medium | Na |
| Tanzania | Na | 0.40 | Low | 19.9 |
| Togo | 0.45 | 0.50 | Medium | Na |
| Tunisia | 0.57 | 0.74 | Medium | 2.0 |
| Uganda | Na | 0.49 | Low | 82.2 |
| Zambia | 0.47 | 0.39 | Low | 63.7 |
| Zimbabwe | 0.57 | 0.50 | Low | 36.0 |
| All Africa | 0.43 | 0.49 | Low | 39.9 |

Source: UNDP, 2003: 241-244

* HDI for 1985

Poverty: Population living below \$1 per day (1990-2001)

4. EXPLAINING ECONOMIC GROWTH PERFORMANCE IN AFRICA: EMPIRICAL ANALYSIS

Explaining Africa's growth performance has been the focus of a large number of empirical studies in recent years. Some of the studies included African countries by using an African dummy in cross-national data that spans the whole world, while others mainly focused on African countries, and particularly on Sub-Saharan Africa.

Easterly and Levine (1997) as well as Sachs and Warner (1997) used cross-national data for countries that span the whole world, including an African dummy. Easterly and Levine covered the period 1960-1989 and concluded that growth rates in Africa are low due to ethnic fragmentation and poor quality institutions. Sachs and Warner analysed the period 1965-1990 and concluded that African growth is constrained by close trade policies and its geographic location, in other words a so-called "tropics" dummy.

Collier and Gunning (1999) endeavoured to model growth by using a sample of 84 countries, including 21 African countries. They used decade averages covering the period 1960-1989. After controlling for initial income, landlocked status, life expectancy and schooling, the only significant policy variables were the investment/GDP ratio and an openness measure (see Collier and Gunning, 1999:66). Collier and Gunning (1999:65-74), after comparing various growth regressions, observed that Africa's slow growth can partly be explained in terms of particular variables that are globally important for the growth process, but are lacking in Africa. They are:

- A lack of social capital
- A lack of openness to trade
- Deficient public service
- Geography and risk
- A lack of financial depth
- High aid dependence

Rodrik (1998) focused on long as well as shorter period growth determinants for sub-Saharan Africa. He concluded that for the period 1965 to 1990 per capita growth was determined by the initial (1965) per capita income level (-), life expectancy (+), public savings (+), export taxes (-) and the average growth in the economically active population relative to the total population (+). He used a sample of 31 countries and obtained an R^2 of 0.79. For the growth determinants over shorter periods, he used pooled data for three respective periods, namely 1964-1974, 1975-1984 and 1985-1994. The only significant determinants of growth for these three periods are initial income (-), life expectancy (+) and the average terms of trade (+). A poor R^2 of only 0.34 was obtained. Rodrik (1998:21) concluded that long-run growth rates tend to be predictable on the basis of a small number of exogenous and policy variables, in contrast with growth rates over shorter time horizons, where they tend to be unstable and unpredictable.

Devarajan, Easterley and Pack (2001) conducted a cross-section regression for 29 African countries covering the period 1970-1997 to establish firstly whether investment is too low or too high, and secondly, whether private or public investment is the strongest factor. They concluded that, after controlling for population growth and initial (1970) income, private investment has a significant and strong effect on growth, while public investment has no discernible effect ($R^2=0.50$). However, when Botswana is omitted from the regression, none of the variables proved were statistically significant, implying that the favourable impact of private investment on growth depends largely on Botswana (Devarajan, et. al., 2001:8,9). To test whether macroeconomic stability matters in Africa, they conducted a second regression for the period 1970-1992 by using pooled data for four-year averages. The independent variables – the black market premium and the public sector balance/GDP – are statistically significant, an indication that good policies are indeed beneficial for growth. When investment is added to the model, it still proves to be statistically insignificant. They finally concluded that higher investment in Africa would not by itself produce faster economic growth and “unless some or all of the underlying factors that made investment unproductive in the past are addressed, the results may be disappointing” (Devarajan et.al., 2001:23).

Dollar and Easterley (1999) also endeavoured to find the so-called *key* to growth. They tested whether aid-financed investment and/or aid-induced policy reform could unlock Africa’s development potential. For the aid-financed investment exercise, they regress investment on aid and growth on investment by using bivariate models for the period 1965 to 1995. On the aid-investment relationship only eight out of a total of 34 countries showed a positive and significant relationship between aid and investment. In the regression on the investment-growth relationship, where the investment/GDP ratio lagged one year, only seven of the 35 countries included proved to be positive and significant. Even if the regression is done by using four-year averages in the data, investment is still not statistically, significant (Dollar and Easterley, 1999:6,7). They conclude that the short to medium-term linkages between aid, investment and growth are not very robust. Aid does not necessarily finance investment and investment does not necessarily promote growth.

Most of these empirical studies on Africa were conducted up to the late 1980s or early 1990s. The question that needs to be asked is whether the determinants of growth in Africa have changed or become more pronounced since the mid-1990s. For the purpose of this paper a growth regression has been compiled that takes cognisance of the prerequisites of economic growth and development as have been listed in the Nepad and APRM frameworks, while also taking into account the findings of some of the most influential empirical work on Africa’s growth. The suggested growth determinants as well as their proxies are as follows:

- The market initiative, proxied by trade (imports plus exports) as percentage of GDP (TRADE) as well as a dummy variable (OILEX) on whether the country is an oil exporter (1) or not (0);

- The capital flows initiative, proxied by FDI as percentage of GDP (FDI), ODA as percentage of GNI (AID), debt as a percentage of GNI (DEBT) and GDI as percentage of GDP (GDI);
- The proxies for macroeconomic stability are the percentage change in the CPI (CPI) and the public surplus/deficit as percentage of GDP (DEF);
- Sound political governance is proxied by a composite indicator that includes institutional matters such as the rule of law, legal security of private ownership, protection of intellectual property, judicial independence, legal corruption and impartial courts (RULELAW);
- Geographic location, in other words whether the country is landlocked or not, is proxied by a zero-one dummy variable (GEO); and
- Two socio-economic variables will be included, namely the literacy rate (LIT) and the population growth rate (POP).

The first regression includes 46 African⁷ countries in a cross-country sample where averaged for the period 1995-2000 will be included. The dependent variable is the average growth rate for the selected period in GDP per capita.

$$\text{PERCAPGRO} = f(\text{TRADE, OILEX, FDI, AID, DEBT, GDI, CPI, DEF, GEO, RULELAW, LIT, POP}) \quad (1)$$

The regression results on the comprehensive regression indicate that only the FDI and DEBT variables prove to be statistically significant. When the variables are stepwise included, four variables are statistically significant – see Table 10. The regression indicates that African countries will benefit from an increase in capital flows and aid flows as well as a decrease in debt. It also indicates that countries that are oil exporters will grow faster than non-oil-exporting countries. It is important to note that the trade variable is not statistically significant in the model, as well as any measure of macroeconomic stability, institutional ??? or socio-economic variable. The adjusted R² of 0.61 indicates that the model only explains 61% of the variance in per capita growth.

Table 10: Regression results on all African countries

| DEPENDENT VARIABLE: PERCAPGRO | | | | |
|-------------------------------|-------------|-----------------------|-------------|----------|
| Method: Least Squares | | | | |
| Sample: 1 46 | | | | |
| Included observations: 46 | | | | |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| C | 0.977407 | 0.674958 | 1.448100 | 0.1552 |
| FDI | 0.419561 | 0.057876 | 7.249304 | 0.0000 |
| DEBT | -0.032379 | 0.008369 | -3.868704 | 0.0004 |
| AID | 0.109322 | 0.042417 | 2.577291 | 0.0137 |
| OILEX | 2.759570 | 1.297831 | 2.126293 | 0.0395 |
| R-squared | 0.645759 | Mean dependent var | | 1.850652 |
| Adjusted R-squared | 0.611199 | S.D. dependent var | | 4.766608 |
| S.E. of regression | 2.972166 | Akaike info criterion | | 5.118781 |
| Sum squared resid | 362.1846 | Schwarz criterion | | 5.317546 |

⁷ Due to data constraints the following African countries are omitted: Liberia, Somalia, Libya, Sudan, Djibouti, Eritrea and the DRC.

| | | | |
|--------------------|-----------|-------------------|----------|
| Log likelihood | -112.7320 | F-statistic | 18.68511 |
| Durbin-Watson stat | 2.225841 | Prob(F-statistic) | 0.000000 |

The next question is whether the determinants of growth differ if only the stronger economic performers are taken into account. The criteria for the 24 countries chosen are whether they are classified as a country with a medium level of human development and/or whether the country achieved a positive growth rate over the past decade, irrespective of the size of its economy⁸. Although all variables in equation 1 were initially included, the only statistically significant variables are again FDI, AID, DEBT and OILEX. The regression results are shown in Table 11. It is also important to note that the coefficients are almost the same as in the full sample, with the exception of the variable for oil exports, which is slightly larger, but also only significant at the 90% confidence level. The adjusted R² is also marginally larger at 0.66, indicating that 66% of the variance in per capita growth is explained by the independent variables.

Table 11: Regression results of moderately strong economic performers

| DEPENDENT VARIABLE: PERCAPGRO | | | | |
|-------------------------------|-------------|-----------------------|-------------|----------|
| Method: Least Squares | | | | |
| Sample: 1 24 | | | | |
| Included observations: 24 | | | | |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| C | 0.929570 | 1.303634 | 0.713060 | 0.4845 |
| FDI | 0.402909 | 0.068344 | 5.895270 | 0.0000 |
| DEBT | -0.039636 | 0.016141 | -2.455589 | 0.0239 |
| AID | 0.184283 | 0.099558 | 1.851018 | 0.0798 |
| OILEX | 2.724289 | 1.744525 | 1.561622 | 0.1349 |
| R-squared | 0.721887 | Mean dependent var | | 3.005000 |
| Adjusted R-squared | 0.663337 | S.D. dependent var | | 5.804689 |
| S.E. of regression | 3.368034 | Akaike info criterion | | 5.449588 |
| Sum squared resid | 215.5295 | Schwarz criterion | | 5.695015 |
| Log likelihood | -60.39505 | F-statistic | | 12.32940 |
| Durbin-Watson stat | 2.568635 | Prob(F-statistic) | | 0.000041 |

The next step would be to determine what the growth determinants would be if countries with extreme values in some of the variables are omitted. In this regard Equatorial Guinea is omitted due to its extreme value in the dependent variable, per capita growth. The Congo is omitted due to its extreme values in GDI, DEBT, FDI and TRADE. Lesotho is omitted due to its extreme values in GDI and FDI. The regression results after the exclusion of these extreme values are shown in Table 12. With the exclusion of the three countries, the variables FDI and OILEX are now insignificant, implying that the favourable impact of FDI and oil exporters depends mainly on the performance of Lesotho, Congo and Equatorial Guinea in this regard. However, the interesting fact is that aid and debt reduction are still drivers of growth, but

⁸ The countries classified as stronger economic performers are South Africa, Seychelles, Egypt, Algeria, Nigeria, Morocco, Tunisia, Kenya, Botswana, Namibia, Equatorial Guinea, Uganda, Mozambique, Mauritius, Cape Verde, Benin, Burkina Faso, Mauritania, Ethiopia, Congo, Gabon, Ghana, Lesotho and Togo.

that socio-economic factors like the literacy rate and the growth in the population as well as the geographic location of the countries now matter. The adjusted R^2 is however at a disappointing low of 0.47, indicating that the model only explains 47% of the variance in growth.

Table 12: Regression results of moderate strong African economies, excluding countries with extreme values

| DEPENDENT VARIABLE: PERCAPGRO | | | | |
|-------------------------------|-------------|-----------------------|-------------|--------|
| Method: Least Squares | | | | |
| Sample: 1 21 | | | | |
| Included observations: 21 | | | | |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| C | 4.030143 | 1.449036 | 2.781258 | 0.0140 |
| DEBT | -0.014631 | 0.007679 | -1.905359 | 0.0761 |
| AID | 0.159502 | 0.037202 | 4.287419 | 0.0006 |
| LIT | 0.022234 | 0.013946 | 1.594233 | 0.1317 |
| POP | -1.752355 | 0.633245 | -2.767261 | 0.0144 |
| GEO | 0.927888 | 0.633411 | 1.464906 | 0.1636 |
| R-squared | 0.599593 | Mean dependent var | 2.053810 | |
| Adjusted R-squared | 0.466124 | S.D. dependent var | 1.594097 | |
| S.E. of regression | 1.164755 | Akaike info criterion | 3.377856 | |
| Sum squared resid | 20.34983 | Schwarz criterion | 3.676291 | |
| Log likelihood | -29.46748 | F-statistic | 4.492383 | |
| Durbin-Watson stat | 2.916589 | Prob(F-statistic) | 0.010578 | |

The empirical analysis concludes that the heterogeneous nature of African countries masks the fact that some determinants have a stronger impact on certain countries than on others. It also shows that capital flows to countries are the most important determinant of growth. The high FDI recipients are getting the growth spill-over benefits for their respective economies. However, the high dependence on aid is still a disturbing fact especially seen against the background of declining aid disbursements. The analysis also indicates that the importance of debt restructuring will also be beneficial to the future growth of the continent. On the trade side it is disappointing that the volume of trade is not a driver of growth on the continent. Although it needs further exploration, possible explanations could be the declining terms of trade in Africa due to dependence on primary exports, the fact that Africa needs to accelerate the diversification of its economies and trade liberalisation. Although the first two regressions highlight the benefits of being an oil-exporting country, they also signal possible future growth constraints of a possible future decline in world oil prices, especially in countries where exports are less diversified.

Although the lack of social capital did not feature as a significant variable in the first two regressions, the final regression shows that it plays a vital role in better-performing countries. The last regression also highlights the fact that geographical location does indeed matter in the better performers. The last observation is perhaps significant – the fact that macroeconomic factors did not test significant in any of the regressions. This is evidence of the fact that macroeconomic stability is an important but not sufficient prerequisite for economic growth and development.

5. CONCLUSION

Nepad aims to reverse the marginalisation and underdevelopment of the African continent by putting it on a renewed sustainable growth and development path. The APRM is seen as the tool to ensure that this goal be achieved. The analysis of the current performance of the key objectives of the APRM shows that continent-wide generalisations mask important successes and that a small number of countries have indeed managed respectable economic growth and development performances. Despite the few successes, the marginalisation of the continent is still disturbing and, to quote Dollar and Easterly (1999:1), "it is obvious that past keys have not yet unlocked Africa's potential for growth".

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