

**IMPLEMENTING THE NEW PARTNERSHIP FOR AFRICA'S
DEVELOPMENT (NEPAD): A STUDY OF THE ECONOMIC AND
CORPORATE GOVERNANCE INITIATIVE (ECGI)**

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A mini-thesis submitted in partial fulfilment of the requirements for the degree of
Magister Political Studies in the Faculty of Arts, University of the Western Cape.

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KEYWORDS

Accountability

African Peer Review Mechanism

African Union

Corporate governance

Development

Economic growth

Economic governance

Economic and Corporate Governance Initiative

New Partnership for Africa's Development



LIST OF ABBREVIATIONS AND ACRONYMS

ADB African Development Bank

APRF African Peer Review Forum

APRM African Peer Review Mechanism

AU African Union

ABR African Business Round-table

APPER Africa's Priority Programmes for Economic Recovery

CODESRIA The Council for the Development of Social Science Research in Africa

COMESA Common Market for East and Southern Africa

DBSA Development Bank of Southern Africa

DFA Department of Foreign Affairs

DFI Direct Foreign Investment

ECGI Economic and Corporate Governance Initiative

ECOWAS Economic Community of West African States

ECOSOCC Economic, Social and Cultural Council

EEC European Economic Community

EU European Union

FDI Foreign Direct Investment

FTA Free trade area

GDP Growth Domestic Product

G-8 Group of Eight

GOR Government of Rwanda

GPRS Ghana Poverty Reduction Strategy

HSGIC Heads of State and Government Implementation Committee

IMF International Monetary Fund

KAF Konrad-Adenauer-Foundation

LPA Lagos Plan of Action

Luse Lusaka Stock Exchange

MAP Millennium Partnership for the African Recovery Programme

MPSD Ministry for Private Sector Development

NATO North Atlantic Trade Organisation

NEPAD New Partnership for Africa's Development

NGOs Non-governmental Organisations,

NAI New African Initiative

NEPRU The Namibian economic policy research unit

OAU Organisation of African Unity

ODA Overseas Development Assistance

OSAA United Nations Office of the Special Advisor for Africa

PAP Pan African Parliament

PHSG Participating Heads of State

PSC Peace and Security Council

PTA Preferential Trade Area

RECs Regional Economic Communities

SADC South African Development Community

Sida Swedish International development cooperation agency

SMEs Small and Medium Enterprises

UNDP United Nations Development Program

UN United Nations

UNECA United Nations Economic Commission for Africa

UNCTAD United Nations Conference on Trade and Development

UNISA University of South Africa

WTO World Trade Organisation



ABSTRACT:

IMPLEMENTING THE NEW PARTNERSHIP FOR AFRICA'S DEVELOPMENT (NEPAD): A STUDY OF THE ECONOMIC AND CORPORATE GOVERNANCE INITIATIVE (ECGI)

Monita Carolissen

M. Phil mini-thesis, Department of Political Studies, University of the Western Cape.

In this mini-thesis, I explore the New Partnership for Africa's Development's (NEPAD) Economic and Corporate Governance Initiative (ECGI). I argue that although this initiative is not the only means to, nor the end of determining whether the NEPAD is being implemented, the ECGI can be used as a good indicator of whether one important dimension of the NEPAD is implemented.

I establish whether, through an analysis of the ECGI, that dimension of the NEPAD is being implemented by looking at the countries where the ECGI was implemented. I maintain the position that through the NEPAD, good governance in African countries is promoted and that is why the authors of the NEPAD document created the ECGI.

I made use of qualitative research to determine the answer to the research problem which

is to what extent is the ECGI being implemented. Data was gathered from the NEPAD documents and the African Union (AU) documents which was analysed in a descriptive, evaluative, interpretative and analytical manner. The mini-thesis outlines the NEPAD with all its initiatives, and explains how the ECGI forms part of it. The main argument highlighted is that many heads of African states have agreed that the NEPAD is a good vehicle to promote good governance, especially of the economy and the main actors in the economy (corporations). Good governance is the underlying principle which the partnership is based on, and it is in line with AU priorities.

The ECGI was discussed in its institutional framework which consists of the NEPAD, the AU and the African Peer Review Mechanism (APRM). Ghana, Kenya, Rwanda and South Africa are the only countries that have volunteered at this point to be peer reviewed. These countries were used as examples for other member states to come on board in the implementation of the NEPAD. The APRM can be used as a monitoring tool to determine whether the ECGI was implemented in the countries mentioned which were peer reviewed. Apart from this, the Development Bank of Southern Africa (DBSA) and Nedbank are used to gauge the ECGI implementation and reference. The ECGI is but one of several initiatives of the NEPAD and implementation of the ECGI does not necessarily mean its success or that it cannot be improved. However if the ECGI is implemented, one can deduce that the economic dimension, an important dimension of the NEPAD, is being implemented.

April 2009

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NOTE OF THANKS

I dedicate this thesis to the best parents in the world, Mr. Benjamin and Mrs. Maria Carolissen.

Thank you very much for supporting, encouraging, and believing in me from the day I was born. Thank you for providing me with the best a child could ask for and more! Thank you for nurturing me with love and always believing in me. You have taught me to never give up and to believe in my dreams because you always believed I could be the best in anything I do.

Thank you God for giving me the best parents in the world and Thank you for blessing me with the best in myself and those in my life.

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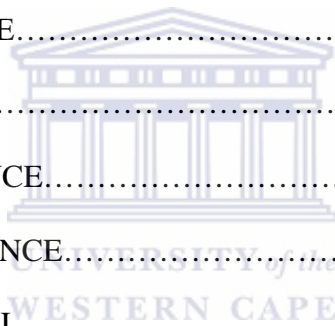
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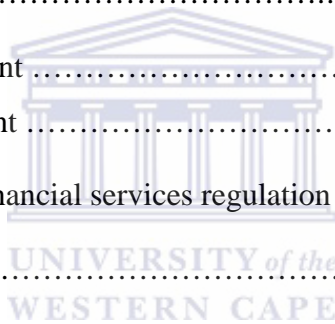
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CHAPTER 1: INTRODUCTION TO STUDY

1. INTRODUCTION

The New Partnership for Africa's Development (NEPAD) is the economic implementer of the African Union (AU) and is based on the premise that the partnership can help the AU achieve its goals of economic development in Africa (Lamy, 2002: 1). NEPAD is the operational arm of the AU and is largely inspired by the European integration model, which is fully committed to supporting the creation of a single African market. The aim is to give Africans a chance to work together more, to build up and develop markets and open them up to the rest of the continent and the rest of the world as well as to strengthen comparative advantages across the board (Dahl & Shilimela, 2003: 4–6). Judging from the NEPAD and AU literature on the causal relationship between economic initiatives in Africa and governance, it seems that most scholars study the impact of economic initiatives but that not much emphasis is placed on the governance (economic or corporate) dimension (Adedeji, 2002: 1-14). For example, emphasis was placed on initiatives that derived from dependency theories that were influential in the 1970s and 1980s for solutions to underdevelopment, such as the Lagos Plan of Action for Economic Development of Africa (LPA), the Final Act of Lagos (1980) as well as Africa's Priority Programmes for Economic Recovery (APPER) (1986–1990) (Adedeji, 2002: 1-14; Ekpo, 2002: 4; Lesufi, 2006: 3; Taylor & Williams, 2000; Patel & Pretorius, 2002: 6-24).

This is why this research is different to the study of previous initiatives as the researcher is not just looking at the impact of the Economic and Corporate Governance Initiative (ECGI) but the governance, implementation and the execution of the initiative. The underlying principle the authors of NEPAD highlight is that good governance can be a driving force for development, something the authors declare was lacking amongst most African states and hampered economic growth in the past (NEPAD Document, 2001: 14; Onimode, 1988: 2). The researcher wants to look at the NEPAD as an economic implementer, focusing especially on the actual implementation of the ECGI of the NEPAD itself, not just the desired outcome of NEPAD as a whole.

2. PROBLEM STATEMENT AND AIMS OF THE STUDY

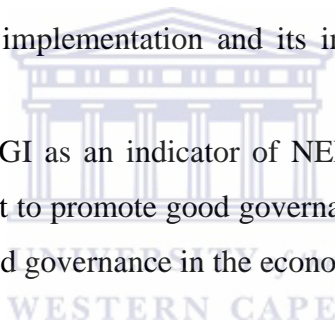
The Council for the Development of Social Science Research in Africa and the Third World Network-Africa have conducted a number of research projects in the area where the impact of economic initiatives is usually studied in favour of the implementation of the particular initiative that is being researched (United Nations Department of Economic and Social Affairs, 1995). African scholars and activist intellectuals working in academic institutions, civil society organisations and policy institutions from 20 countries in Africa as well as colleagues from Asia, Europe, North America and South America have done research to deliberate on Africa's developmental challenges in the new millennium (Boulianne & Comeau, 2001; Bond, 2005: 35; Toyo, 1983; Rodney, 1981: 31–41). In this particular mini-thesis, emphasis is placed on the implementation of the ECGI and therefore on the execution of the ECGI as well as on how the initiative ought to work. When governance is improved on the economic and corporate levels this can allow the state and businesses to ensure sound and transparent economic management, an aspect of good governance that the authors of NEPAD prescribe for all African states.

The countries used as case studies in the analysis of the ECGI implementation are Ghana, Kenya, Rwanda and South Africa and the reason these countries were used, is that they were the only countries that were peer reviewed by the AU and whose economic and corporate governance levels were scrutinised. The reason these countries were the only countries peer reviewed is because these countries were willing and allowed to be peer reviewed and therefore their reports could be tabled at the APRM. Other countries that were in the process of peer revision are mentioned like Benin and Algeria but because this mini-thesis was written at the time these countries were not peer reviewed yet, only mention is made of the countries. In addition to the peer review reports of the four countries, the study will also refer to the Development Bank of Southern Africa (DBSA) and Nedbank as examples of respectively a regional and a corporate institution on the continent that engage in the implementation of corporate governance. Other corporations operating on the continent, for example Shoprite, Vodacom and BHP Billiton, will also be referred to in order to gauge corporate governance implementation. If the ECGI of

NEPAD is implemented as prescribed by NEPAD, it can create more favourable benefits on the outcome level and the cycle can continue positively as this, in turn, creates a more suitable environment for even better implementation of the initiative. The research question is thus: To what extent is the ECGI of NEPAD being implemented, using the abovementioned four peer-reviewed countries as case studies?

As such, the study aims specifically to achieve the following:

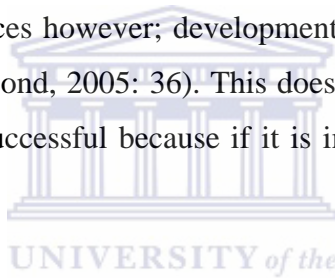
- To outline what NEPAD entails and how the ECGI forms part of it.
- To provide a theoretical and conceptual framework of economic and corporate governance.
- To provide an analysis of how the ECGI ought to be implemented within NEPAD structures.
- To evaluate the ECGI implementation and its impact in the four countries for which data exist.
- To put forward the ECGI as an indicator of NEPAD implementation, since the authors of NEPAD want to promote good governance in all African countries and the ECGI addresses good governance in the economic sphere.



3. RATIONALE OF THE STUDY

NEPAD also aims to join the begging bowl for economic initiatives that is based on a partnership among African states that are African owned and African led as not many previous economic initiatives (as will be referred to later in this mini-thesis) focus on this aspect (Lamy, 2002: 2; Hughes, 2004: 77). However, NEPAD has not been accepted unequivocally amongst African leaders as well as it has been in the rest of the world. Gaddafi publicly criticised NEPAD as a neo-colonialist venture and his largess led to pro-Libyan public statements by Malawi's and Zambia's presidents in 2002 (Herbert, 2002: 58). Tough critiques of the NEPAD documents such as those by intellectuals associated with the Council for Development and Social Research in Africa emerged (Katzenellenbogen & Mvoko, 2002: 3). These critiques included objections mainly surrounding NEPAD being considered as another ploy for the West to maintain its hold

on Africa's resources as the Group of Eight (G-8) is considered amongst the main actors in realising the goals of NEPAD. At the Durban launch of the AU in July 2002, opponents of NEPAD from human rights, debt cancellation and trade advocacy groups from the Democratic Republic of Congo, Kenya, South Africa, Tanzania and Zimbabwe organised a demonstration at the opening ceremony (Katzenellenbogen & Mvoko, 2002: 3). It is precisely the novelty and controversy of such an approach towards Africa that make it such a deserving topic of study. The researcher would like to believe that NEPAD is not just another ploy by the West to get a hold over Africa's resources because NEPAD's theoretical plans on paper really looks like it can achieve its desired goals. The problem is however that the critics consisting of the intellectuals that have done research around the social development in Africa found no specific developmental changes coming from the implementation of NEPAD thus far. Africa is not a poor continent either because it has different resources however; development on the normal household level has not improved positively (Bond, 2005: 36). This does not mean that NEPAD with its various initiatives cannot be successful because if it is implemented correctly, it can be successful.



The critique and debates surrounding NEPAD risk being waged on an ideological basis rather than in functional terms, specifically scrutinising whether NEPAD is achieving what it set out to achieve. This study aims to do the latter, in other words the researcher wants to examine one particular aspect of NEPAD, namely the function of the ECGI, and its contribution to the economic dimension of NEPAD. The study is particularly challenging as NEPAD is in its seventh year and the impact of the ECGI on governance should now start to become clear. The study could also provide early detection of shortcomings and problems of other future NEPAD initiatives.

4. RESEARCH DESIGN AND METHODOLOGY

This mini-thesis is grounded in qualitative research because textual analysis in the form of impressions, sentences and words from documents and texts will be used (Neuman, 2003: 139). The information gathered will be interpreted, analysed and evaluated. The

following sections will explain the manner in which the data were gathered, which texts were used and the various approaches used to answer the research question.

4.1 Descriptive, analytical and evaluative research

To answer the research question a clear picture of the ECGI will be provided in the context of NEPAD to report on the background and structure of the initiative. A detailed outline will be given of the concept economic and corporate governance. The study will be descriptive as the origins, nature and objectives of NEPAD, the ECGI, the AU and the African Peer Review Mechanism (APRM) will be described. It is descriptive because focus is placed on the “how” question, which is exactly how the ECGI is implemented, and on “who”, by way of the institutional framework of NEPAD, implements it (Neuman, 2003: 30). One way to determine whether the ECGI is a good indicator of whether NEPAD is being implemented in Africa is through asking how the ECGI should be implemented (as intended by NEPAD), how it has been implemented in certain African countries and which actors are involved.

The information available to the researcher was analysed and the researcher gathered the data over a period of time to acquire an in-depth understanding of the information to create meaning (Neuman, 2003: 75–76). A practical analysis of the ECGI was conducted by looking at the countries that implemented the ECGI. Analysis is “the breaking up of a larger issue into various dimensions that are then studied in a logical and sequential manner” (McGowan & Nel, 2002: 16). The concept economic and corporate governance is broken up into its two parts (economic governance and corporate governance) and in this sense analysis is used as a tool in the study.

The research is also evaluative because the researcher evaluates the implementation of the ECGI by countries, continental institutions and corporations operating in Africa. The study also takes on an evaluative approach by perusing the APRM reports as the monitoring tool of the AU that will evaluate the ECGI implementation. Together with this the United States Department of State website will be used to look at the investment

climate of the respective countries that were peer reviewed. The reason why this site is being used is because it is the general site that tracks trade, corruption and other economic dimensions of states and it is the most reliable site from one of the G-8 countries involved in NEPAD. By looking at this one can determine whether investment has increased, decreased or remained the same in the particular country and whether the implementation of good governance played a role in the investment climate. This phase forms part of the proposition of the researcher, namely that the ECGI was implemented in certain cases and that it should be replicated by other African countries if good governance made a positive difference in these countries' economy. The review reports from these countries were evaluated to indicate to which extent certain countries have implemented the ECGI.

4.2 Data and literature

The researcher made use of primary sources as well as secondary sources. The primary sources consisted of government documents, policy documents, reports and surveys. The secondary sources were in the form of academic books on governance and were evaluated in the manner stated above. The government documents were analysed and evaluated to provide evidence as to whether the ECGI has been implemented, with specific emphasis on economic and corporate governance. The policy documents of NEPAD and the AU were particularly pivotal. These documents have only been drawn up in the past seven years as both the AU and NEPAD are, respectively, a newly emerged organisation and a new partnership that only emerged in 2001. The NEPAD documents that were located on the AU and NEPAD websites highlight the concept governance and the ECGI. As the APRM gives an indication of the level of economic and corporate governance in the countries that have been peer reviewed, the APRM reports are useful sources for this study.

The authors of the NEPAD documents acknowledge that there were previous attempts similar to NEPAD to set out continent-wide development programmes but that these disappointed. Previous attempts at development programmes such as NEPAD were

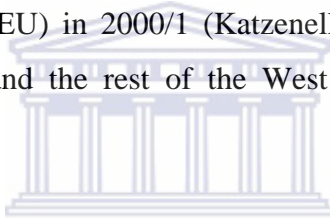
influenced by the dependency theories that shaped the Third World struggles (Lesufi, 2006: 4). These dependency theories were unanimous in pointing to external factors as the central causes of the continent's lack of progress in poverty reduction and generating sustainable economic growth and development (Lesufi, 2006: 4). These struggles were directed against the exploitation and domination by advanced capitalist states (Dahl & Shilimela, 2003: 1; Melber, 2002: 7; Spicer, 2002; Breytenbach, 2002: 5–6, 13; Hughes, 2004: 75). The impact of dependency theory as a framework for economic initiatives by the African continent is explored in Chapter 3.

The idea around which the mini-thesis is centred is good governance and this fits in with how NEPAD and its ECGI came into existence. All the previous attempts lacked the aspect of good governance (Lesufi, 2006: 4–5).

The driving forces behind NEPAD emphasise economic and corporate governance in order to ensure that member states of both the AU and NEPAD not only conform to internationally agreed values and policies but that success is achieved through this development programme (Gelb, 2002; NEPAD Document, 2001, 2005; AU Base Document, 2002; Department of Foreign Affairs (Department of foreign affairs, 2002). This was also a reason why many people opposed NEPAD, since those values and policies are mostly shaped by the West, such as structural adjustment programmes (Lesufi, 2006: 5). Institutional effectiveness is enhanced through good governance. This can eventually lead to collective action as the point of departure for successful regional integration at a later stage. The reasons for this are that benefits such as the flow of trade and making countries attractive for investment can be generated from good governance and thus can ensure economic growth in countries (World Bank, 2002; Mulikita, 2003: 2; NEPAD Annual Report, 2002, 2003; Landsberg, 2003: 3).

The literature perused for this study shows cautious optimism that NEPAD has a better chance at success compared to its predecessors (Tandon, 2002; Nkuhlu, 2005; World Economic Forum: Africa Economic Summit, 2002). There are, as examples, instances where the ECGI was implemented. The stakes are high for the continent as a whole and

also for particular individuals. If NEPAD fails, former South African President Thabo Mbeki would have left a legacy of failure behind as he and former Nigerian President Olusegun Obasanjo spearheaded NEPAD. Academics, writers of the NEPAD and AU documents as well as critics of NEPAD want NEPAD to work and through its implementation provide tangible evidence of good governance playing a role in Africa's economic growth. This emphasis on good governance has been an aspect many African leaders lacked in the past. Late 2001 and early 2002 also marked the attack on the NEPAD process by virtually every major African civil society organisation, networks and progressive personalities (Bond, 2002: 104; NEPAD Document, 2001: 14–15; AU Base Document, 2002; Matlosa, 2002: 1). Its leftist critics alleged that NEPAD was a subimperialist project that only emerged after extensive consultations with the World Bank, major transnational corporate executives and associated government leaders as well as the European Union (EU) in 2000/1 (Katzenellenbogen, 2002: 3; Bond, 2005 104). However, Washington and the rest of the West acknowledged NEPAD's neo-liberalist roots.



Throughout the mini-thesis the information portrays that the ECGI complements the liberal economic approach that NEPAD is based on. The ECGI improves the levels of development socially and economically because it ensures macroeconomic and public management, responsibility, transparency and regulation of policies by the state and businesses operating within and across borders (Mauro, 1995; Knack & Keefer, 1995; Acemogh, Johnston & Robinson, 2000). Ghana, Kenya and Rwanda's reports showed an improvement in their levels of economic and corporate governance, and South Africa's development approach thus far was also complemented by the implementation of the ECGI (Ochieng, 2006: 1; Ekpo, 2001, 2002; Chandi, 2005: 16; Boyle, 2007: 1).

5. LIMITATIONS OF STUDY

Although secondary literature was used to describe the concept economic and corporate governance, the information gathered on the ECGI and its prescribed implementation as such was limited to the NEPAD documents. As such, the evaluation of the ECGI's

implementation is biased towards NEPAD's perspective. This may be a limitation of the study, but since the initiative was created by NEPAD itself, the ECGI's implementation is judged based on how the writers of the NEPAD documents determined how the initiative ought to work.

NEPAD has also only been in existence since 2001 and therefore the testing of the assumption the research is based on is highly dependent on NEPAD annual reports. The reason for this is that most projects of the different NEPAD initiatives, which are only outlined in the NEPAD documents, have either just recently been initiated or are in stages of development. Emphasis should be placed on the fact that only four states have been peer reviewed which is a serious limitation since the researcher is forced to make generalisations from those cases regarding the overall implementation of the ECGI.

The APRM was only created in March 2003 and only Ghana, Kenya, Rwanda and South Africa of the 27 countries that signed the APRM Memorandum of Understanding (MOU) have been peer reviewed. Economic and corporate governance implementation will be measured only for these four countries and selected institutions that take cognisance of the ECGI and corporate governance in general. It should be noted that the above-mentioned countries were peer reviewed at the time of writing the mini-thesis but in the process Mozambique, Benin and Algeria were also peer reviewed. These countries are not included in the case studies as their reports were only tabled in 2008. The following sections provide the overall conclusions that were drawn from the reports but it should be noted that this is a shortcoming as these reports were tabled in 2008. A 17-member team of the APRM, led by Kenyan diplomat Bethuel Kiplagat, arrived in Maputo for the country review that preceded Mozambique's peer review by the forum of heads of state and the governments of those countries that have acceded to the APRM in June or July 2008 (AU, 2008: 1). The country review team spent three weeks in Mozambique for the visit, where they spoke to government members, political parties, civil society organisations, private businesses, the media, academics, human rights bodies and many other interest groups. The team travelled across the country, visited six provincial capitals and held seminars in each of them (AU, 2008: 1).

The report on Benin that was issued in 2008 provided a detailed discussion on the four thematic areas of the APRM (AU, 2008: 2). The report indicated that Benin had made progress on democracy and human rights, economic governance and management, socio-economic development and corporate governance. “This tendency was observed since the beginning of the democratic revival phase in the early 1990s” (AU, 2008: 3). While the report acknowledged some key achievements such as peace after years of military regimes and continuous stability, there were some challenges that the country needed to address, namely the reform and the modernisation of the state and corruption. “The report also highlighted best practices worthy of emulation for peer learning. These included the framework for interfaith consultation, the presidential programme in micro-finance and an efficient constitutional court” (AU, 2008: 5).

“Despite a dark decade of blind terrorism intended to overthrow the state, Algeria has made major progress in many fields, such as education, health and housing, not to mention the eradication of extreme poverty and the significant reduction of other forms of poverty” (AU, 2008: 4). The growing credibility achieved at the political, financial and diplomatic levels provided the country with an appreciable bargaining power that enabled Algeria to claim a new position in the world economy and, above all, the status of an emerging economy. However, there are still some challenges Algeria is facing for the future. The issues are the reforms and modernisation of the state, gender equality, youth employment, corruption and town planning. However, some of the achievements represent good practices to be sustained and shared with other countries which can lead to more positive results for other African countries (AU, 2008: 6).

These countries were reviewed as stated whilst this mini-thesis was written but cognisance is given to what transpired in the interim around the other countries that acceded to be peer reviewed. All of these reports are not available and this can also be seen as another limitation for this research study.

6. STRUCTURE

The study will be structured as follows:

Chapter 1 highlights the research question, the aims of the study and the rationale behind the mini-thesis. It further outlines the research procedures, including the research design and methodology and how data were gathered and interpreted. The researcher made use of an evaluative and descriptive approach to examine the NEPAD documents after which data were analysed. This chapter is the introduction phase of the study. The research question of the thesis is to what extent the ECGI is being implemented. Preliminary reading suggests that it is being implemented by some states but others should come on board because only the ones that are implementing economic and corporate governance acknowledge the advantages of it. This leads to Chapter 2 in which the institutional framework of the ECGI is outlined. It is an initiative of NEPAD that in turn works in conjunction with the continental union, which is the AU.

Chapter 2 sets the institutional context of the ECGI by examining the initiative within the NEPAD structure, the AU and the APRM. In this chapter NEPAD with all its initiatives will be comprehensively outlined, and it will be explained how the ECGI forms part of it. Because the AU regards NEPAD as its economic programme, the relationship between these two will be highlighted and the role of the APRM as the monitoring tool within the AU will be specified.

Chapter 3 looks at the main subject of the study, namely the ECGI. This chapter provides the theoretical context of the concept economic governance and corporate governance through the neo-Keynesian perspective and the neo-liberal theoretical perspective. It examines why the ECGI is important in the African context and specifically why NEPAD includes this initiative.

Chapter 4 establishes whether the economic and corporate governance outlined in Chapter 3 is being implemented on national, regional and subregional levels. Since the

APRM is the measurement to determine whether the NEPAD member states implement the ECGI, countries that have been peer reviewed will be looked at to determine how far the ECGI has been incorporated into their policies. The countries used as case studies are Ghana, Kenya, Rwanda and South Africa.

The concluding chapter sums up the main arguments and findings of the previous chapters. This chapter closes the argument about whether NEPAD is being implemented or not, based on whether the cases that were used in Chapter 4 indicate the implementation of the ECGI. This chapter also provides a basis for early detection of the shortcomings of NEPAD and makes recommendations.



CHAPTER 2: INSTITUTIONAL CONTEXT OF THE ECONOMIC AND CORPORATE GOVERNANCE INITIATIVE (ECGI) WITHIN THE NEW PARTNERSHIP FOR AFRICA'S DEVELOPMENT (NEPAD)

1. INTRODUCTION

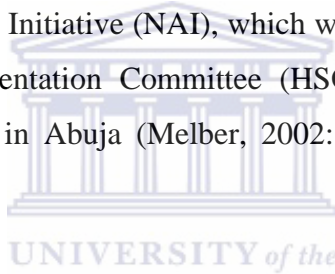
This chapter outlines the institutional framework of the ECGI, which consists of NEPAD, the AU and the APRM. In this chapter NEPAD is delineated according to its different initiatives and goals. This chapter does not highlight what the ECGI is but how it fits within the context of the NEPAD and the AU with its APRM, therefore on what basis was the ECGI created. This chapter will first look at the NEPAD and how it came about and then in chapter three the operation of the ECGI will be delineated. The following sections will outline what NEPAD as a whole partnership is and what made other previous initiatives different to the NEPAD. The relationship between the AU and NEPAD as well as how the ECGI fits into these two organs will also be outlined in this chapter.

2. WHAT IS THE NEW PARTNERSHIP FOR AFRICA'S DEVELOPMENT (NEPAD)?

NEPAD was established to use Africa's attributes to achieve the objective of an economically renewed and more prosperous Africa. NEPAD came into being when the (Organisation for African Unity) OAU provided the five heads of state with a mandate. The five heads of state of Algeria, Egypt, Nigeria, Senegal and South Africa were given the task of developing an integrated socio-economic development framework for Africa (NEPAD Document, 2001: 1-2; NEPAD Annual Report, 2003, 2004: 7-8). The reason for this was that initiatives such as the Pan-African Initiative in 1919 emphasised a unified Africa with a Pan-African ideology but lacked a plan for the development of Africa's economy. Several conferences and workshops followed for years, such as an

African bank seminar, AU-NEPAD subregional workshops on millennium development goals (MDGs), the NEPAD Science and Technology Ministerial Conference and the World Economic Forum: Africa Summit 2005 wherein both Africans and international bodies called for an economic revival.

By 1998, the United Nations Economic Commission for Africa (UNECA), the African Development Bank (ADB) and the United Nations Conference on Trade and Development (UNCTAD) had committed themselves to something with the nature of an economic renaissance. This led to the Omega Plan and the Millennium Partnership for the African Recovery Programme (MAP) (Wade, 2001; Dahl & Shilimela, 2003: 1–2). An initiative that transpired as a result of a merger between MAP and the Omega Plan and that followed the resolution order by the OAU was finalised on 3 July 2001. This merger brought about the New African Initiative (NAI), which was approved by the OAU Heads of State Government Implementation Committee (HSGIC) and subsequently named NEPAD on 23 October 2001 in Abuja (Melber, 2002: 7; Spicer, 2002; Breytenbach, 2002: 5–6, 13).



The NEPAD document divided Africa's areas of shortcomings into categories and created various initiatives accordingly. It outlined three main categories:

- A: Conditions for sustainable development
- B: Sectoral priorities
- C: Mobilisation of resources

Category A concerns conditions for sustainable development, which include the Peace, Security and Political Governance Initiative and the ECGI and this mini-thesis is concerned with category A only. The ECGI is a particularly important initiative that could be used as a good indicator of whether or not an important dimension of NEPAD is being implemented and if so, whether it is being done effectively. This important dimension is that of good economic and corporate governance. If this is done effectively then good governance can be promoted on the rest of the African continent and the other African countries can also reap the benefits of the ECGI if it is determined that the extent

of the implementation of the ECGI was successful. The ECGI was also created to acknowledge the fact that states are the major role players in advancing economic growth and development and that the economic revival that Africa requires must come from good governance within government institutions and companies (NEPAD Document; 2001: 19). That is why the four peer reviewed countries are used as case studies to see whether governance is implemented by the respective governments the implementation of the ECGI. Under the ECGI the NEPAD also outlined regional and subregional approaches to development (Ekpo, 2002: 5; Chalker, 2005: 2).

To explain further what the NEPAD consists of it is important to highlight the other categories of the NEPAD as well. The second category of the NEPAD is Sectoral priorities (B) which include areas such as poverty reduction, infrastructure, water and sanitation, transport, education, the environment and health, including the area of culture and technology. For this category NEPAD created the Infrastructure Initiative, the Human Resource Development Initiative and the Environment Initiative. The category mobilising resources (C) includes areas such as debt relief, tourism, promotion of the private sector and many other areas that relate to utilising Africa's resources and directly pumping them into the market. For these areas NEPAD created the Capital Flows Initiative and the Market Access Initiative.

The NEPAD document indicates that the different initiatives should be implemented on the regional level rather than on the state level and this count for the ECGI as well. This is because there is complementarity between regional integration bodies and NEPAD, which allows for inter-agency collaboration. The respective regions are West Africa, North Africa, Central Africa, East Africa and Southern Africa, including Madagascar (NEPAD Document; 2003: 3–5). The 10 vital aspects NEPAD will deal with regionally include infrastructure, education, health, agriculture, the environment, information technology, energy resources and markets. At the top of the list is good economic governance and good corporate and public governance. Landsberg (2003:3) stresses that NEPAD has a clear political-economic perspective that focuses on cross-border co-operation and networking. NEPAD calls for the creation of “essential regional public

good in order to enhance regional cooperation and trade” (Landsberg, 2003:3). NEPAD’s theoretical and conceptual foundation is rooted in its progenitors, such as the 1976 Economic Community of Africa document, which was created to implement a new international order in Africa. NEPAD as the rejuvenated recovery programme contains the four cardinal principles that were reincarnated in this partnership of the Economic Community of Africa (ECA). These principles include self-reliance, self-sustainability, the democratisation of the development process and the progressive eradication of poverty and unemployment (Hughes, 2004: 75).

The Lagos Plan of Action for the Economic Development of Africa (1998–2000) and the Final Act of Lagos of 1980 followed after the abovementioned initiatives and programmes but although they began to implement the process of successful development, the goals were never completed and/or did not realise the stated objectives. Thus, these initiatives did not reach its full potential because decisions about subprogrammes were never governed by a forum of heads of state. Opportunities were not developed for countries to engage in genuine partnerships within Africa and mutual benefits were not generated. Within previous initiatives developed countries created a hostile environment that limited the ability of poor and underdeveloped countries to make progress and noted excessive dependence on developed countries. This is why NEPAD is different because it also focuses on strengthening partnerships and regions. NEPAD embraced the Structural Adjustment Programmes (SAPs) and saw them as programmes that provided partial solutions in the form of institutional reforms in the countries where programmes were properly implemented. The one area of continuity between NEPAD and the earlier development frameworks is with regard to processes leading to their adoption (Lesufi, 2006: 5).

NEPAD is a programme with its authority rooted in democratically elected governments (Dahl & Shilimela, 2003: 20; Kanbur, 2002; Cilliers & Sturman, 2002; Cilliers, 2002:2; Cilliers, 2003). However, there are many countries including Burundi, Central African Republic, Democratic Republic of Congo, Ethiopia, Liberia, Madagascar, Rwanda, Sudan and Zimbabwe that remain conflict stricken and where democracy, peace or the

rule of law is missing. These factors indicate the serious obstacles faced by NEPAD and that even if it concentrates on good governance, which is at the core of all its different initiatives, it has not yet provided possible recommendations or solutions for these factors.

NEPAD does, however, have a far better likelihood of succeeding than the Lagos Plan and Abuja Treaty because it is a pledge by African leaders to a common vision and goal for Africa. In addition to the goal, similar to that of the OAU, of emancipating Africa from the “malaise of underdevelopment”, all the NEPAD initiatives and frameworks currently in place are under the leadership of and monitored by specific individuals and groups in various African countries, an attribute that was not present in previous initiatives (NEPAD Document, 2001: 1–4; Melber, 2002: 7). The problem is that leaders may pledge to do something but they are not forced to keep their pledges and the NEPAD initiatives may be monitored, but what happens if they monitor a country and find it is not fulfilling its promises? NEPAD has not outlined specifically how it will deal with these sorts of challenges but refers to the steering committee and panel of eminent persons that will be hands-on in the countries if certain issues arise. No penalties have been made clear to countries if they do not comply with anything.

As was seen from NEPAD’s foundation and what the partnership entails, one can accept that NEPAD is not just focused on one particular objective but that cognisance is given to all aspects such as governance, integrity, responsibility, transparency and democracy to achieve all its goals gradually. The APRM, as will be discussed below, is useful because it operates in a phased way, meaning its operation takes place in phases. The phases allow both the AU and NEPAD to track changes and determine the improvement of economic and corporate governance as each phase has an objective it needs to deal with before it can move to the next phase.

2.1 NEPAD's objectives

NEPAD's strategy is to develop the programme with a political consensus (NEPAD Document, 2005: 1–3; Gelb, 2002: 2). The political and economic objectives coming from this consensus are also continuously revised by the HSGIC to provide actions to ultimately help towards eradicating poverty.

NEPAD's long-term objectives are as follows (NEPAD Document, 2001: 11):

- To eradicate poverty in Africa and to place African countries, both individually and collectively, on a path of sustainable growth and development.
- To halt the marginalisation of Africa in the globalisation process.
- To promote the role of women in all activities.

NEPAD also has different priority sectors continentally, which are listed in Table 2.1.

Table 1: Priority sectors of NEPAD

NEPAD PRIORITY SECTORS	AREAS OF FOCUS WITHIN PRIORITY SECTORS
1. African Peer Review Mechanism (APRM)	- All member states that voluntarily provide permission to be peer reviewed
2. Economic and corporate governance	- More transparency and enhanced policies
3. Human development	- Health (provision of health services by 2015) - Education (enrolment of all children of school age in primary schools by 2015; elimination of gender disparities; enrolment in primary and secondary education by 2005)

4. Infrastructure	- Subregional or continental infrastructure – roads, highways, waterways, seaports, airports and telecommunications facilities
5. Market access and agriculture	- Implementation of national strategies for sustainable development by 2005
6. Science and technology	- Information and communication technology (ICT)
7. Environment and tourism	- Reversal of the loss of environmental resources by 2015

Source: NEPAD Document, 2001: 11–12

In order to sustain development on the African continent and maintain focus on these areas which is the category under which the ECGI was created; NEPAD will require the enhancement of international competitiveness, international support and increased exports so that development occurs on a continental level via the AU as well as on the regional level through the regional economic communities (RECs) (NEPAD Document, 2005: 3). NEPAD is not based on a bottom-up approach. For the ECGI to work, norms and requirements of good governance are negotiated at a continental level (AU), albeit with the inclusion of nongovernmental and civil society opinions, and diffused to subcontinental level. NEPAD's implementation depends largely on the approval of, most notably, states and RECs. The important RECs for NEPAD are the Common Market for East and Southern Africa (COMESA), the Economic Community of Central African States (ECCAS), the Economic Community of West African States (ECOWAS), the Intergovernmental Authority on Development (IGAD) and the Southern African Development Community (SADC) (Hughes, 2004: 78–80). Despite its top-down approach, the NEPAD plan is recognised as a long-overdue response to Africa's continuous underdevelopment and poverty (Dahl & Shilimela, 2003: 1; NEPAD Document, 2001:1–2; Bond, 2002). The relationship between the AU and NEPAD will

be highlighted below to try and highlight that NEPAD seeks to improve on less successful previous attempts by Africa to overcome underdevelopment.

The APRM will be used as a monitoring tool to measure the extent to which countries implemented improved economic and corporate governance. The way this can be determined is by looking at which countries were peer reviewed by the APRM (Chapter 4), but first the relevance of the relationship between the AU and NEPAD has to be outlined in this chapter.

3. THE RELATIONSHIP BETWEEN THE AU AND NEPAD

The challenge of the AU, operating from July 2002, is to move away from the overly state-centric character of the OAU and its concomitant lack of civil participation (Department of foreign affairs, 2002: 4). To achieve its objectives, the AU accords recognition to the importance of co-operation of the African nongovernmental organisations (NGOs), civil societies, labour unions and business organisations. This is based on the premise that the OAU served its mission. A new structure was needed that would be geared to the current needs of the continent. The focus of the OAU was on promoting the unity and solidarity of African states, intensifying co-operation and defending their sovereignty, territorial integrity and independence (NEPAD Business Group, 2003). It promoted international co-operation but was driven to end colonialism and the focus was therefore not as broad as that of the AU today. Apart from these objectives stated by the OAU, the AU focuses on political and socio-economic integration, peace and stability, the promotion of democratic principles and institutions as well as popular participation and good governance (NEPAD Business Group, 2003).

The AU and NEPAD have had certain problems regarding their respective roles and whether they were going to work in conjunction or separate from one another, but in the end it was decided that NEPAD would be the economic implementer within the AU (Department of foreign affairs, 2002: 4–6). The implications were around no clear rules that indicated how regional organisations would relate to the AU or NEPAD, both of

which overlap with the goals of the SADC (Herbert, 2002: 56). Through this it can be deduced that the relationship between NEPAD and the AU is of cardinal importance as both have the same objectives for Africa. Both connote good governance and the best way the AU attempts to ensure that NEPAD as a whole is implemented is through the AU's APRM, which is supported and also implemented through the NEPAD structures. The NEPAD document explicitly states that it wants to act "as a link and increase synergy" between the AU and RECs and not replace or attempt to compete with the AU. Thus, the ECGI works within these two structures (NEPAD Document, 2001:3).

Africa had recent initiatives, such as the 2002 Declaration on Principles Governing Democratic Elections and the 2006 Draft African Charter on Democracy, Elections and Governance. These aspects all focus on norm setting (Herbert, 2002: 58–67). The importance of the AU is that it seeks to promote the necessary conditions that will enable the continent to participate more fully in the global economy. These are all aspects that are highlighted much more by the AU than by the OAU because the OAU focused largely on decolonisation and on transforming the Euro-centric policies that went with it. The fact that the AU concentrates on all these other aspects related to economic development indicates the interlinked feature of the AU and NEPAD (Herbert, 2002: 58–67). This correlating feature is in line when it comes to the priority of harmonising the policies between the existing and future RECs for the gradual attainment of the objectives of both the AU and NEPAD.

According to an agreed protocol a 15-member Peace and Security Council (PSC), which is supported by a Panel of the Wise, was created to assist the NEPAD peer review process. The reason for this is that the constitutive act of the AU, which was written in 1999, was a bare-bones agreement without operational and procedural rules for the AU organs. The PSC and the Pan-African Parliament (PAP) were drafted, ratified and funded to act as the organs during the peer review process (Herbert, 2002: 57).

4. THE ROLE OF THE AFRICAN PEER REVIEW MECHANISM (APRM): A MONITORING TOOL

In March 2003 the AU established a self-assessment governance mechanism called the APRM to which AU member states could voluntarily accede (NEPAD Document, 2005: 36; APRM Base Document, 2002: 2). This mechanism allows countries to review each other and constructively assist each other to achieve certain objectives. The objective of the APRM is to ensure that member states with their practices and policies conform to the internationally agreed governance values, codes and standards as a means of fostering political stability, economic growth, sustainable development and accelerated subregional and continental economic integration. Oversight of the APRM organisation and processes is the responsibility of the African Peer Review Forum (APRF). This forum wants to ensure mutual learning and capacity building. The constructive peer dialogue and persuasion that is required can make the APRM effective, credible and acceptable. The APRM functions as an oversight institution due to the peer review process, and countries inform the chairperson of the NEPAD HSGIC if they want to join. This membership entails an undertaking to submit to periodic reviews and agreeing to parameters for good political, economic and corporate governance (NEPAD Document, 2005: 36; APRM Base Document, 2002: 2; Ochieng, 2006: 1).

The APRM's evaluative role of economic and corporate governance is vital because this process spurs on countries to look at their domestic policies. The APRM looks specifically at the internal political stability and economic growth of a country as well as the impact it has on neighbouring countries. The most important aspect of this is that African countries are at different levels of development and so the APRM Panel looks at each country on a base review basis and through a Programme of Action. This means looking at standards and goals currently drawn up by states for the particular circumstances the country faces and how they can be improved upon. The phases include reviewing up-to-date background documentation and measuring it against the applicable political, economic and corporate commitments made by the Programme of Action (APRM Base Document, 2002: 5; Ochieng, 2006: 3).

As a monitoring tool of good governance, the main focus areas of the APRM around which countries are reviewed are the following:

- (a) Democracy and good political governance
- (b) Economic governance and management
- (c) Corporate governance
- (d) Socio-economic governance.

The process of peer reviewing takes time and the idea is that each country's report is made public and is tabled at the AU. Key organs such as the PSC, the PAP and the African Commission on Human and Peoples Rights and other agencies such as the UNECA are all involved in the process. By and large the responsibility does fall under the APRF, which is made up of the participating heads of state and government (PHSG) of the countries that have agreed to be peer reviewed. A Panel of Eminent Persons (chosen from all five subregions) assisted by technical experts will direct and manage the process (Henry, 2006: 2–3; South Africa Info, 2006: 1–2; Ogonnaya, 2006: 1).

The given mandate by the PHSG notes that these members are not representing their countries and that they should exercise oversight of the African peer review process with a view that would ensure the independence, professionalism and credibility of the process by meeting periodically and making reviews and assessments. The panel should also recommend appropriate African institutions or individuals to conduct technical assessments and consider and approve recommendations contained in the country review reports submitted to it by the APRM Secretariat and presented to the PHSG (NEPAD Secretariat, 2002: 3; APRM Base Document, 2002: 3; South Africa Info, 2006: 1–2).

The process of review includes the following five phases (APRM Base Document, 2002: 3-4):

First phase: Preparation phase

This phase necessitates that the country under review prepare the following for peer revision:

- A National Programme of Action
- Background Paper prepared by the APRM Secretariat
- The Issue Paper prepared from the abovementioned two papers.

Second phase: Country review visits

This phase requires the African peer review team to do country review visits during which broad-based consultations take place with the government, political parties, parliamentarians, representatives of civil society organisations and so forth. These visits provide the following opportunities:

- The African peer review team is able to interact with key governance stakeholders in the country.
- The African peer review team can discuss the Draft National Programme of Action with relevant authorities.
- Consensus among key stakeholders can be built on governance challenges for the country and how to address them (Ochieng, 2006: 3-4).

Third phase: Team review report

This phase entails the preparation of the report in a draft form based on the preliminary consultations and findings of the country's Programme of Action. The particular government responds and these discussions are attached to the final report. This includes the revisions to improve the Programme of Action, highlighting deficiencies, challenges and best practices (APRM Base Document, 2002: 4-5).

Fourth phase: Submission of report to the APR Panel

The revised report is submitted to the African Peer Review Panel by the APRM Secretariat. The panel considers the report, and recommendations are made to the APRF of the NEPAD HSGIC. Then the chairperson of the APRF conveys the decisions of the forum to the PHSG of the country concerned (NEPAD Secretariat, 2002: 3).

Fifth phase: Submission of the report to the HSGIC

NEPAD's objective of the promotion of good political, economic and corporate governance is dependent on the demonstrable will of the reviewed country to rectify the shortcomings identified. It will be incumbent upon the participating governments to provide the assistance they can and urge donor governments and agencies to do the same for the reviewed country. However, in the case of political will not being forthcoming from the government, everything practicable should first be done to ensure engagement in constructive dialogue, and technical and appropriate assistance should be offered. If dialogue fails, the PHSG, on notice of its collective intention, can proceed with appropriate measures such as documentation that indicates that no report has been submitted and releasing unfinished reports by a given date. Before the last phase, certain shortcomings can still be identified and the government is given an opportunity for more constructive dialogue.

Six months after the report has been considered it is formally and publicly tabled in key regional structures such as the PAP, the African Commission on Human and People's Rights, the PSC, the RECs and the Economic, Social and Cultural Council (ECOSOCC). This completes the APRM process and what then remains is the implementation of the National Plan of Action (NEPAD Secretariat, 2002: 3; Matlosa, 2002: 9; APRM Base Document, 2002: 5). These phases were all mentioned because this is the process each country that is peer reviewed has to go through and to determine whether governance is implemented via the ECGI; the APRM is used as the monitoring tool.

5. CONCLUSION

This chapter outlined the different components of NEPAD and how NEPAD operates in relation to the continental union, the AU. The AU has its goals and aspirations for the whole continent but because the AU's progenitor, the OAU, failed to improve the continent economically, NEPAD was proposed as a partnership to implement the AU's ideals economically. Thus, NEPAD's creation, background and operation were first outlined to indicate how the ECGI fits into the whole NEPAD. The operation of the APRM and the relationship of the AU to NEPAD were then highlighted in this chapter to indicate its role in answering the research question. This chapter mainly focused on the NEPAD and the AU within which the ECGI operates and the different phases of the APRM in order to see in the next chapter what it is the ECGI does and according to what the countries are being reviewed. This will then lead to the indication of the research question of to what extent the ECGI is being implemented because the background of how the ECGI became part of the NEPAD was outlined and how countries are reviewed. Through the explanation of the phases of the APRM one can deduce that the review team cannot proceed with evaluation unless each phase is fully completed because the reports are made public in the end. The researcher can now move to the theoretical foundation of the ECGI itself, meaning how the ECGI operates, what the concepts of the initiative means and according to what aspects the implementation of the ECGI is being used in countries. This means the ECGI needs to be explained next in order to see what the ECGI encompasses and in which roots theoretically it is based on.

CHAPTER 3: THEORETICAL FOUNDATION AND OPERATION OF THE ECONOMIC AND CORPORATE GOVERNANCE INITIATIVE (ECGI)

1. INTRODUCTION

Firstly, this chapter outlines the theoretical background of economic and corporate governance in general as well as the theoretical influence of the ECGI through the different perspectives outlined in this chapter. Chapter 2 highlighted the institutional context of the ECGI by explaining how NEPAD and the AU stand in relation to each other and what NEPAD entails wherein the ECGI operates. This chapter asks two main questions, namely what is economic governance and what is corporate governance, meaning what is the ECGI and how does it operate. Further in this chapter the researcher outlines the theoretical foundation of the ECGI through looking at the different dimensions of liberalism, class analysis and the world historical perspective as well as the world systems theory. The reason why these perspectives are used is because the NEPAD and thus the ECGI as part of the conditions for sustainable development of NEPAD were mainly influenced by these theories and the goals of the NEPAD in its documents are outlined from these theoretical perspectives.

2. DEFINING GOOD GOVERNANCE, ECONOMIC GOVERNANCE AND CORPORATE GOVERNANCE

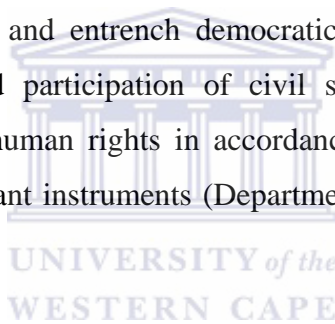
2.1 Good governance

Governance is the process whereby government and public institutions can conduct public affairs, manage public resources and guarantee the realisation of human rights through sustainable human development, participation and transparency (Ngwenya, 2006: 1). It should also, among other things, be equitable and accountable and should enhance institutional effectiveness and generate economic growth, which can lead to the

improvement of living standards for the majority of any country's population (Mulikita, 2003: 2–3).

The United Nations Development Program (UNDP) broadens the World Bank's definition of good governance and characterises it as the “exercise of political, economic and administrative authority in the management of a country's affairs at all levels” (Cherubin-Doumbia, 2004). Taking these definitions into consideration, it would seem that governance includes going beyond the state and encompasses the private sector as well as civil society.

In the African context, the AU's objectives on good governance encompass aspects such as greater political participation, pluralism, transparency, accountability and freedom for the citizenry to participate in and entrench democratic governance processes. It also includes the involvement and participation of civil society in governance and the promotion and protection of human rights in accordance with the African Charter on Human Rights and other relevant instruments (Department of Foreign Affairs, 2002: 3–4).



Western politicians and academics state that good (or democratic) governance involves not just elections, regardless of their freeness and fairness, but that good governance is also recognised to be an integral part of peace building and conflict resolution. Good governance also oftentimes requires that policy and developing institutions be instituted that will not necessarily be popular among some or even a majority of the population (Whittington, 1993: 311–319). According to Mulikita (2003: 2), the World Bank and most donor governments carefully avoided a connection between good governance and multiparty systems based on the argument that good governance goes hand in hand with the desirability of freedom of speech, transparency of decision making and open political debate. Overall, putting good governance in place within states means companies and institutions operating within and across borders should promote and harmonise financial markets within respective countries and this also improves investment (Anyangwe, 2005: 38). This harmonisation of financial markets inside and across neighbouring African

countries can also enhance and increase resource inflow from outside Africa and make the accessibility of exports to markets of the industrialised countries more reliable (Anyangwe, 2005: 38).

2.2 Economic governance

Economic governance centres on sound economic management and performance of an economy over time, of which sound economic performance must result in sustainable economic growth and development. This includes the provision of sound macroeconomic policies that create a stable environment for economic activity. It implies the creation, protection and enforcement of property rights (Ekpo, 2002: 6).

The fact that many African states lack these aspects makes investment and productivity difficult (Ekpo, 2002: 6). Political and economic governance are inseparable because both underpin sustainable growth and development. Consequently, the common perception of economic governance suggests an active role for the state and many of the institutions that support economic activities and markets are publicly provided (Ekpo, 2002: 6). Economic governance is more embracing because it allows the state to be a partner with other economic agents in the development process. Under economic governance, issues such as debt overhang, corruption, design and implementation of poverty-oriented budgets, nature of political leadership, human capital development and foreign investment can be analysed (Ekpo, 2002: 6). Economic governance connotes good governance.

Certain studies have found that there is a correlation between per capita income and measures of the strength of property rights and the absence of corruption. Findings have also suggested a strong effect running from better governance to better development outcomes (Mauro, 1995; Knack & Keefer, 1995; Acemogh, Johnston & Robinson, 2000). A modern state must be one that outlines what it means by good governance and how it will be implemented. Leaders and policy makers should demonstrate transparency,

accountability and comprehensiveness in the management of the economy. This counts for the success of African regional integration as well (Ekpo, 2002: 7).

Economic governance also entails heightened fiscal discipline, the maintaining of a competitive tax regime and increased social spending that should take place on a measured and sustainable pace (Adedeji, 2002).

2.3 Corporate governance

Corporate governance refers to the manner in which corporations or companies are directed through a set of processes, customs, policies, laws and institutions (Kargbo & Fundanga, 2005: 10). It also refers to mechanisms put in place through which private or state-owned corporations are governed and it provides a structure through which the objectives and the performance of a corporation are aligned with government plans. It is a way to enforce certain rules and procedures on individual practice (Kargbo & Fundanga, 2005: 10; Whittington, 1993: 311–319).

The aim of corporate governance is to align, as nearly as possible, the interests of the capitalist class (i.e. business leaders), which will benefit the capitalist class more than corporations and society. The framework is there to encourage the efficient use of resources and equally to acquire accountability for the stewardship of those resources (World Bank, 1989: 60–61). Anyangwe (2005: 37) argues that corporate governance does not function within a vacuum and politics is embedded in the manner in which corporate institutions are governed. Therefore, the governance of institutions cannot be disassociated from broader political issues, trends, policies and developments within a country. Anyangwe (2005: 37) also highlights the paradigm shift that took place in recent years, which stemmed from the changing role of the state and the inherent increase of strategic partnerships between government, civil society and especially the private sector. These partnerships became a “political and operational imperative” in the enhancement of service delivery, especially in rural areas (Anyangwe, 2005: 37).

Even if corporate governance focuses mostly on business ethics within companies, it has been established initially that the state is the primary role player in ensuring that corporate governance is implemented. The third meeting of the Pan-African Consultative Forum on Corporate Governance took place in Senegal. To establish the extent of the practice of corporate governance as outlined by the ECGI, it is important to look at the policies and legislations that the forums and organisations undertake in order to practice good governance. The Pan-African Consultative Forum on Corporate Governance stresses the following in its policies (Pan-African Document, 2004: 1–3):

- The promotion of greater corporate governance in the banking sector and state-owned enterprises
- The need for an outline of shareholders' obligations
- The importance of governance in small and medium-sized enterprises as the key to economic growth and development
- The importance of governance in poverty alleviation.

Economic and corporate governance is pivotal because if high standards of both are maintained the security of property rights, regulatory frameworks and strong markets can all foster a lower risk perception for investment in Africa (Anyangwe, 2005: 38). A negative perception and low investor confidence in some countries, such as Zimbabwe, also affect the way in which their neighbours are viewed by foreign investors. Not all African states have had human rights issues, sanctions or low investor confidence, yet the perception of Africa as a whole has been very low precisely because of this (Anyangwe, 2005: 38).

The researcher will now explain what the ECGI is about and whether it measures up to the idealistic view of what economic and corporate governance means by explaining how the initiative ought to work within the NEPAD structures.

3. THE OPERATION OF THE ECGI

In order for the ECGI to work successfully, NEPAD states that it has to be implemented through the following management strategies: a) macroeconomic management, (b) public financial management, (c) banking supervision and (d) corporate governance. The following section will state that the implementation of the ECGI created economic conditions that can further trade and in so doing improve regional integration in Africa in the long run. Several actors and institutions played a role in developing the ECGI's plan for implementation. Various actors and institutions engaged in developing the ECGI into accepted codes, standards, principles, norms and programmes. Together with this there are a number of actors directly affected by and involved in the monitoring and evaluation of the ECGI's implementation. In addition, 130 major corporations signed a declaration in support of NEPAD (NEPAD Document, 2003: 18).

The ECGI includes Four Covenants of business, concentrating on corporate governance, corporate social responsibility, the elimination of corruption and bribery and accounting auditing practices (NEPAD Business Group, 2003). The NEPAD Business Group is also part of the group that consists of continental and international businesses and institutions (the International Chamber of Commerce, the Commonwealth Business Council (CBC), the African Business Round Table and the United States (US) Corporate Council on Africa) that provide a point of entry and engagement in line with the NEPAD standards (Cilliers, 2003: 8; NEPAD Document, 2003: 18; NEPAD Business Group, 2003).

The team leaders of this initiative comprise committees of ministers of finance and governors of central banks that form the task force of the ECGI. This team is custom built in order to review economic and corporate governance practices in the various regions and countries and to make recommendations on appropriate standards and codes (NEPAD Document, 2001: 14). Following the compilation of this guideline, the idea was that reports would be submitted by the task force of respective countries and handed to the HSGIC, six months after a priority sector has been reviewed and analysed by it. Based on the economic status of the region, the HSGIC would then refer its

recommendations to the African states for implementation. The priority of the Implementation Committee would be economic and financial management through the establishment of legal systems that encompass clear rules and effective enforcement of contracts (NEPAD Document, 2001: 14).

The governors and ministers are the persons examining whether codes and standards are adhered to and whether commitments are strictly followed. As regional integration is very important for NEPAD, this monitoring will take place on a regional level, but if individual countries struggle with issues, it will be handled individually. Because the role of the private sector is significant in corporate governance and regional blocks, businesses have become involved through meetings and discussions that started and were held in Abuja, Berlin, Dakar, Lugano, Parma and Durban. These meetings took place from April 2002 until the middle of 2003 and NEPAD's initiatives, including the ECGI, were discussed (NEPAD Document, 2001: 15).

To make this initiative successful the Implementation Committee mobilised resources to build the capacity of countries, enabling them to comply with the mutually agreed minimum standards and codes of conduct through the following of management priorities that were mentioned earlier. That is why the ECGI comprises the following four strategies within the initiative to ensure that good governance is implemented:

3.1 Macroeconomic management

Macroeconomic management as the first strategy entails that the heads of state first avoid unsustainable or shaky fiscal deficits, high inflation and over-valued currencies. Furthermore, sound macroeconomic management should occur through governments adopting norms and standards that are internationally accepted in these areas (NEPAD Document, 2003: 18–19; Spicer, 2002). However, the nature of African states and their economic policies must change to ensure suitable taxation laws and investment regimes that are required from the average person (Ekpo, 2002: 12). Whilst growth rates are important, growth rates are not sufficient to enable African countries to achieve the goal

of poverty reduction. That is why macroeconomic management is one of the dimensions of good governance.

Macroeconomic management entails the assessment of macroeconomic policies against quantitative indicators like real gross domestic product (GDP) growth rates, debt service ratio, average inflation over the last five years and fiscal deficit. When inflation is high and variable it causes many distortions in the economy and discourages savings. To have sound macroeconomic management means these levels in the economy should be maintained as low as possible (NEPAD Secretariat, 2003; Dornbusch, 1992: 13-31).

3.2 Public financial management

The economics of a state is always challenging for leaders because the people's needs must be met through limited resources. What is meant by public financial management is the monitoring of service delivery to meet these basic needs within a certain time period (NEPAD Document, 2003: 19). Good public financial management should be aspired to through transparent processes, the fair allocation of resources and efficient utilisation thereof. The officials responsible for handling this should be competent and must have integrity. This will improve public confidence in leadership.

Through the implementation of the ECGI, African leaders are encouraged to fully comprehend this feature of the initiative; in other words, African leaders have to plan and opt for clear goals and priorities in terms of the economics of their respective countries. African leaders have to focus on the basic needs of people and deliver the services their population needs in their particular country (NEPAD Document, 2003: 19–20; Ekpo, 1997; Ekpo, 2002: 13). Capacity building thus forms part of public financial management so as to promote a set of concrete and time-bound programmes aimed at enhancing economic and corporate governance.

3.3 Banking supervision and financial services regulation

A good banking system is vital for the mobilisation of savings. This means that financial regulation and banking supervision should be efficient. Furthermore, it is noted that the regulatory structures and procedures should be of such a nature that they protect stock exchanges, insurance companies and the mobilisation of savings and financial services (NEPAD Document, 2003: 20–21).

The globalisation process, however, continuously affects countries and for Africa to effectively participate in this process one of the things that must be managed is debt overhang. What is meant with banking supervision includes the regulation that debt overhang does not become a problem when services are regulated within banks and other financial institutions. This is because many African countries have a great deal of debt and this makes the challenges within countries more complicated. Together with this the needs of people should be looked at more intensely as these become greater each day. African leaders must also fight corruption within their countries to free sources for growth and development because it impacts on public revenue, investment and the government's role to impose regulatory channels (Obadan, 1998). This is something that has not been enforced by African leaders and this aspect of the ECGI will be particularly difficult for current and upcoming presidents, as most leaders have been criticised for their governing methods. That is why a good banking system is needed with thorough regulation of financial services and it should especially be regulated by the government.

3.4 Corporate governance

In this initiative, corporate governance not only encompasses the governance and management of the private sector corporations but also the interface of the private sector with governments and stakeholders holding them accountable. Company laws, contract laws, stock exchange regulations, taxation laws and competition laws are crucial for private sector investments (Gathaka & Wanjala, 2002: 18).

If effective accounting and auditing adhere to the rules of the International Federation of Accountants, investor confidence can increase. This is pivotal because macroeconomic policies are inconsistent and there are policy reversals, uncertainty and insecurity (Ekpo, 2002: 15). However, the ECGI can only achieve favourable conditions for sustainable development if the participating countries of NEPAD, together with the political leaders of the respective countries, adhere to working with the team leaders of this initiative. Moreover, focus is placed on an efficient regulatory regime that includes macroeconomic management, public financial management, banking supervision, absence of corruption, consistent policies and financial services regulation as well as corporate governance (Castells, 2000; Rist 1997: 93–122).

4. THEORETICAL PERSPECTIVES

After reading what governance is and what the ECGI entails, one can define where the ECGI as part of the NEPAD derives from by looking at its theoretical inheritance from the different perspectives below. The concept of economic governance derives from neo-classical and neo-Keynesian theorising on how an economy should function (Lesufi, 2006: 21). Neo-classical orthodoxy assumes that markets, together with competition and all its tenets, drive an economy. Under this paradigm, the major function of the state is to ensure law and order, even if the state has no business in direct economic activity (Ekpo, 2001: 5). The neo-Keynesian paradigm believes in government management of the economy because the market system is inherently unstable. For this school of thought, government management of the economy is crucial if economic crises are to be averted. This paradigm has therefore influenced the argument that government must intervene in the economy in order to accelerate growth and development, as accentuated in the NEPAD documents under the ECGI (NEPAD Document, 2003: 17-18; Ekpo, 2001: 5; Ekpo, 2002: 7).

The neo-classical movements, however, view government intervention in the economy as a short-run phenomenon (Lesufi, 2004). In the long run, if all economic agents are rational, the economy will operate at its natural rate of full employment output (Lesufi,

2006: 14). Hence, government intervention will make sense only in the short run because it might be that managing an economy in the long run will result in distortions. This can be prevented as long as the forces of demand and supply are allowed to operate together with managing an economy that deals with short-run shocks or disturbances. The authors of the NEPAD documents also want to highlight state intervention and indicate that the state plays a pivotal role in all its various initiatives, with emphasis placed on sustainable development (Lesufi, 2004).

Various theoretical perspectives will be delineated below to indicate the influence of these perspectives in the writing of the NEPAD documents and how the initiatives were created. The authors of the NEPAD documents had great influence from the different liberal perspectives specifically but other theoretical perspectives are also highlighted to reiterate the various other angles the NEPAD document draw theory from.

4.1 Liberal political economy

This approach defines the challenges of development as the need to ensure maximum and efficient utilisation of resources as well as the call to stimulate economic growth (Lesufi, 2006: 7). According to Lesufi (2006: 7) the nation-state is also seen as a key player in making this possible. International trade without blockades is viewed as the most efficient means to solve problems of development. In the context of NEPAD, government researchers located in what was known as the NEPAD Secretariat have advanced this approach. Their argument was that NEPAD represents a clear expression of South Africa's national interests (Lesufi, 2006: 7). They further asserted that NEPAD's implementation will lead to better integration of Africa into the global economy, sustainable development and economic growth. The important point for this approach is that national interests are served by the actions and policies of the nation-state. In terms of whose interests are served, this approach argues that it is the interests of the whole nation, meaning the adoption and implementation of NEPAD will not promote and serve only sectional interests but will promote and serve the well-being of all members of society (Lesufi, 2006: 8).

The idea of national interests is clearly the central pillar of this approach but has long been shown to be imprecise and tends to hide the real interests served by developmental programmes (Lesufi, 2006: 9). The example Lesufi (2006: 9) also uses is that a nation is made up of different classes and groups defined by unequal access to resources and wealth. The mere assertion that national interests are being promoted conceals the fact that certain groups stand to gain whereas others stand to lose from the implementation of such programmes. This approach gives the idea that societies have uniform needs and common interests, which is not the case, as one can easily see that the needs of Rwandans and South Africans, for example, are different. This is because of a variety of factors such as the geography of the place, the culture and the population. Owners of big banks and companies are treated as having common interests with workers, the unemployed and the poor. Given the reality of capitalist societies, it becomes clear that national interest is a totalising concept that does not present a close and accurate picture of who loses and who benefits from such programmes. “The concept of national interests cannot account for the interest groups, social classes and corporate interests that make up society” (Lesufi, 2006: 9). This approach within its neo-liberal version obscures the interests of the monopoly section of capitalist classes that is a prominent actor in shaping processes of capital accumulation (Bond, 2000; Patel & Pretorius, 2002: 6–24).

4.2 Liberalism

Liberalism can be understood as (1) a political tradition, (2) a political philosophy and (3) a general philosophical theory, encompassing a theory of value, a commencement of the person and a moral theory as well as a political philosophy (Courtland & Gaus, 1996). In England which is in many ways considered the birthplace of liberalism, the liberal tradition in politics centred on religious toleration, government by consent, personal freedom and especially economic freedom (Courtland & Gaus, 1996). In France liberalism has been more closely associated with secularism and democracy (Courtland & Gaus, 1996). Whilst the liberalism of Australia tends to be much more sympathetic to capitalism but often less keen about civil liberties, the United States liberals on the other hand often combine a dedication to personal liberty with an antipathy to capitalism,

(Courtland & Gaus, 1996). To understand this diversity in political traditions, one needs to examine liberalism as a political theory and as a general philosophy (Courtland & Gaus, 1996). The reason why many say NEPAD is another way to keep the hold on Africa for its resources is because a liberalist perspective is at the core of NEPAD documents and liberalism started mostly in the west as indicated.

The liberal tradition in England was that of personal and especially economic freedom. The two approaches Keohane (1995: 282–284) uses are the rationalistic and the reflective approaches. When he talks about the rationalistic approach, the focus is the specific institutions, which means the regimes. According to Keohane (1995: 284), institutions do not reflect the power of units in them and institutions themselves shape power. This highlights the fact that people as individuals do not have that much power to “overthrow” something. The focus of the reflective approach is the role of impersonal social forces, the impact of cultural practices, norms and values derived from calculations of interest Keohane (1995: 284). Liberalism also has different kinds of outflows within the overall liberalist perspective which are neo-liberalism and economic liberalism following below. The reason why the liberal approach is broken up is because this approach influenced the writing of the NEPAD document the most and especially the basis of the formation of the ECGI.

Conceptually, within conventional economic theory, it is the Keynesians and their cohorts (neo-Keynesians and post-Keynesians) who favour continuous government management of the economy through the conceptualisation, formulation and implementation of appropriate economic policy (Ekpo, 2001; 5). This particular school of thought argues that the market system, if allowed to operate on its own, is subject to instability and crises. The government therefore ought to manage the economy to ensure stability so that the market can prosper (Ekpo, 2001; 5; Ekpo, 2002: 7).

The other school of thought related to neo-liberalism, in which NEPAD’s ECGI is rooted, is neo-liberal orthodoxy. This perspective is particularly important as neo-liberalism emerged in the early 1990s, after realism and neo-realism seemed to have been deficient

in predicting the peaceful end of the Cold War. However, NEPAD then emerged in the wake of Africa suffering from the Cold War era and colonialism and when a solution to underdevelopment in Africa was needed. Neo-liberalism concentrates on the ways non-state actors and international organisations promote international co-operation (Bond, & Manyaya, 2002: 55; Courtland & Gaus, 1996; Fukuyama, 1992). It also focuses on the ways in which democratic governance, public opinion, liberal capitalism, free trade, international law and organisation can all advance social life because of co-operation efforts. The NEPAD documents seem to embrace the old idea that markets should reign supreme in development processes while states play a regulatory and facilitative role within the development processes operation (Bond, & Manyaya, 2002: 55. This idea is not as valid as it was since the current economic crisis revealed that when markets are allowed to act with little supervision, serious problems can emerge. There seems to be a strong indication that in the near future, states will need to play much more active roles in regulating the economy. The question would then be whether NEPAD should have to adapt and this is another topic that can be taken up for further research.

Neo-liberalism also promotes NEPAD as “autonomous development” but Matlosa (2002: 7) refers to NEPAD as a “dependent development” programme because for NEPAD to achieve its goals, assistance is needed from generous financial institutions from the North. This is because NEPAD’s initiatives are dependent on companies and role-players are often from outside the borders of Africa. This means that NEPAD will be bound to sustain unequal integration of African economies into the global capitalist economy. Within a competitive capitalist framework, management of an economy is essential to ensure growth and development, whereby government must be seen to actively manage an economy in order to restore competition and to achieve growth and development (Ekpo, 2002: 7; Gonipath, 2003; Akukwe, 2002: 8; Ohiorhenuan, 2003:14, 15). The ECGI also includes corporate governance from which governance derives the same principles, but in this instance, governance comes from the business sector where good business practices and ethics have to be exercised within companies and other nongovernmental institutions.

Onimode (1988: 2) states that “fundamentally the African crisis is one of underdevelopment, the central problematic of the African continent and the Third World generally. This makes the crisis basically structural and historical.” He further continues to state that though underdevelopment is largely an economic phenomenon, serious social and political problems as well as an intellectual crisis heighten the African crisis. The HIV pandemic and continuous conflicts deepen the problem. Ekpo (1997: 21; 2002: 8) adds to this by stating that the modification of the new macroeconomics to incorporate variables relevant to Africa will continue to fail because “its ideological ingredient negates the African experience.” This means that certain policies will not necessarily apply or even improve Africa’s economy compared to the developed world because Africa’s problems are much more complex compared to those of the West. Africa is dealing with hunger, poverty and civil war despite the role organisations such as the United Nations (UN) and the EU play to overcome these challenges. Africa is also different culturally and clearly African problems need African solutions.

The ideological ingredient is also different because it is a Pan-African ideology, yet an all-African solution has not yet solved Africa’s development problems (Ekpo, 1997: 21; 2002:8) Ekpo (2002: 8) also asserts that the conceptual framework of NEPAD ignores issues such as class and tribalism, perpetuated by Africa’s colonisation and dependency on industrialised economies. These are the actual matters African leaders and policy makers of NEPAD must take to heart if they want to reverse underdevelopment.

NEPAD is also based on economic liberalism in the sense that there is minimal state intervention in the economy except to create the conditions for a free market (i.e. the invisible hand of the market) and free trade to exist. Economic liberalism is supported by the international financial (Bretton Woods) institutions, such as the International Monetary Fund (IMF). In this context NEPAD is inspired by the IMF-World Bank strategies of structural adjustment programmes, trade liberalisation that perpetuates the subjection to unequal exchange in Africa and structures on governance taken from the practices of Western countries. Bond (2005: 55) usually refers to the role of Western

strategies in the economic development of NEPAD and this is exactly why critics refer to NEPAD as another ploy from the West.

The NEPAD document (2001: 5) does state that one of the ways to achieve its key objectives is through building the capacity of states and enforcing law and order, to the extent that NEPAD embraces market fundamentalism. The authors of the NEPAD document do fall short in not providing a firm alternative development trajectory for the continent and in seeing the state as a development agent in its own right and not according to what the World Bank and IMF have thus far provided. Suffice it to say that programmes deriving from this initiative will still be a continuation of policies from these powerful financial institutions (Matlosa, 2002: 10).

4.3 Class analysis and the world historical perspective

This approach completely rejects national interests as the driving forces behind development processes as NEPAD wants development in Africa (Lesufi, 2006: 10). This approach also aims to overcome the limitations of the structural and radical approaches as the problem with these two approaches is that of inequality between nations and domination of poor nations by rich ones. Development within this approach is seen as exploitation rather than inequality and domination. Economic and corporate governance is thus not something that is very much intrinsic of this approach and this is another reason why NEPAD is based on neo-liberalism (Petras, 1978).

The central question to understanding problems in this approach to development is which classes rule, benefit and shape society in the image of their own interests (Lesufi, 2006: 10). Looking at this approach in the context of capitalist societies, one sees that this approach allows one to delve and uncover those social forces whose interests are best served and promoted by the creation and implementation of programmes such as NEPAD (Lesufi, 2006: 10–11; Adesina, 2003: 16–19). It is thus argued that the interests of the dominant social classes are being promoted and served, and this is also why critiques as mentioned see NEPAD as non-beneficial to the absolute poor.

This approach rejects the notion that the introduction of NEPAD is driven by national interests. When looking at countries in the centre and on the periphery, meaning from the most foreign direct investment (FDI) in a country to the least and the most economically advanced to the least; one sees that this approach overcomes the limits of seeing development programmes as serving the interests of dominant nations in the centre. It argues that it is the changing needs of capital accumulation and how these shape the behaviour of social classes that hold the key to understanding the political roots of NEPAD. The monopoly sections of South African capital shaped the role of the South African state in the evolution of NEPAD, and like their counterparts elsewhere, South African capitalists found in NEPAD a solution to changed conditions of capital accumulation (Lesufi, 2006: 10–11; Adesina, 2003: 16–19).

4.4 World systems theory

The world systems theory states that economically, the world gradually turned into a single market with countries following similar market-oriented roads to economic growth and welfare. In one way or another people's lives are affected by decisions around them and they are thus becoming part of an independent global system. This independent system is seen as being tightly bound and interaction takes place on a huge scale. The degree to which a state is involved in this independent system comes down to being either peripheral, semi-peripheral or core. The core consists of the highly developed countries, meaning the West, the semi-periphery is the countries that are semi-developed and the periphery consists of countries that are underdeveloped. Through this theory the very important question remains around whether Africa as a whole can ever escape from "Western domination" (or rather core domination).

According to the world systems theory, all countries are part of a single global capitalist system, and it is impossible for any of them, such as Africa, to develop outside of this system (Wallerstein, 1988: 129–130). As such, Africa can never succeed in creating a truly independent "African approach" to development because it is situated within a larger system. The fact that African states must conform to international (i.e. core)

values, codes and standards already makes it clear that it is impossible for peripheral Africa to escape core domination, a goal that was mentioned earlier.

This indicates that as NEPAD with its economic and corporate governance strives towards a neo-liberal economic development, it must take into consideration the African continent's position regarding the following:

- a) a difference in the nature of the trade on the continent
 - b) a difference in the strength and the role of the state
 - c) a difference in the strength and role of the indigenous urban bourgeoisie
- (Wallerstein, 1988: 129; McGowan & Nel, 2002: 269).

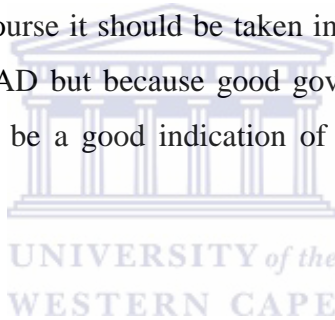
What is meant with the abovementioned aspects is that the NEPAD should take into account that within Africa there are different states and countries with different characteristics. This means trade in South Africa is different for example to trade in Zimbabwe or Kenya and apart from this, South Africa has a democratically elected government where in many other African states, there is great military influence. Within the whole continent factors like class, race, religion and tradition all play an important part and this makes NEPAD difficult to operate. The world systems theory highlights the core and the periphery but this is not just between the developed and underdeveloped countries but within the African continent between the 53 states as well.

5. CONCLUSION

This chapter established why Africa needs the ECGI by looking at the four main strategies and codes which encompass the ECGI. The codes are macroeconomic management, public financial management, banking supervision and financial services regulation, as well as corporate governance and it was clearly noted that the ECGI is needed for an economic revival of the African continent. Various theoretical perspectives such as the liberal political economy, liberalism in the classic sense, economic liberalism, class analysis and the world system's theory were highlighted to indicate the roots of NEPAD. Clearly it could be seen that the NEPAD is very much rooted in liberalism and

these perspectives also helped to trace where the concepts of good governance found its roots and where the influence from writing the NEPAD documents came from

After reading what the ECGI is about, which theoretical perspectives influenced the NEPAD and the ECGI, the four countries which were peer reviewed will follow as case studies. Ghana, Kenya, Rwanda and South Africa were peer reviewed, meaning their economic and corporate governance levels were scrutinised and these countries will be used as examples of where the implementation of the ECGI took place. It was set out that the ECGI is studied in this mini-thesis because one of the aims of this thesis was to put forward the ECGI as an indicator of NEPAD implementation. In the next chapter the four countries mentioned are used as case studies where the ECGI was implemented and based on this implementation one can determine whether the ECGI is an indicator of NEPAD implementation. Of course it should be taken into account that the ECGI is not the only initiative of the NEPAD but because good governance is at the core of all of NEPAD's initiatives, it would be a good indication of whether indeed the NEPAD is implemented.



CHAPTER 4: IMPLEMENTATION OF THE ECONOMIC AND CORPORATE GOVERNANCE INITIATIVE (ECGI): CASE STUDIES

1. INTRODUCTION

This chapter attempts to establish whether the ECGI is being implemented by NEPAD and AU member states. The way this will be judged is by using the countries that have been peer reviewed by the APRM as case studies. The APRM monitors whether the AU and NEPAD member states do indeed implement economic and corporate governance as well as comply with other standards set out by NEPAD. Not all the member states permit themselves to be voluntarily peer reviewed and this is referred to as a weakness of NEPAD in the next chapter. It does not mean that the countries that do not permit themselves to be scrutinised are not implementing good governance or complying with other standards set out by NEPAD, but it also does not mean that they are doing so. Yet the APRM as a mechanism within NEPAD is the best monitoring tool NEPAD as well as the AU has to determine whether countries comply with the agreed codes and standards.

The case studies used to judge whether the ECGI is being implemented are the countries Ghana, Kenya, Rwanda and South Africa. These countries were not randomly chosen. They volunteered to be peer reviewed to demonstrate a good example for other African countries to follow, since NEPAD also aims to enhance regional integration as one of its long-term goals. Benin and Algeria are just shortly mentioned as they were not peer reviewed by the time this mini-thesis was written but in the process have undergone peer revision by the APRM.

Other institutions such as the DBSA and Nedbank will also be used as examples of institutions of authority that can enforce good economic and corporate governance on the continent. Reference is made to post-apartheid corporate South Africa to illustrate the presence of companies operating across regions and the role that corporate governance

plays in business relations. As such, the current operations and roles of Shoprite, Vodacom, Nando's and BHP Billiton on the continent will be mentioned.

2. IMPLEMENTATION OF GOOD GOVERNANCE ON THE AFRICAN CONTINENT

During the 1990s the African continent was enveloped in a wave of democratisation. The collapse of the Eastern European one-party socialism that followed generated expectations that a new era world-wide was emerging for good governance and sustainable development (Mulikita, 2003: 1). Mulikita (2003: 1) also states that despite this, some of the most eloquent pro-democracy leaders in Africa, who came into office at the peak of the democratic waves of the 1990s, have sought to manipulate their countries' constitutions in order to perpetuate their presidential tenure. "Such undemocratic behaviour will only fuel speculation in the industrialised world that NEPAD is just another decorative blue-print drawn up by beleaguered African despots" (Mulikita, 2003: 1).

Furthermore, Mulikita (2003: 1) states that NEPAD was just another way for new resource inflows to be obtained at a time when the international community would be completely preoccupied with rebuilding post-Saddam Iraq and the Israeli-Palestinian roadmap, all under the hegemonic leadership of the United States (US). However, Africa has received immense international publicity about the liberal conception of good governance.

A survey was conducted in Africa in 2005 by Philip Armstrong of the Global Corporate Governance Forum in 22 countries to highlight the results of corporate governance. The results revealed that the adoption of corporate governance was at different stages in Africa. It was most advanced in South Africa, followed by Mauritius. Kenya, Nigeria (particularly the financial sector), Uganda and Zambia were making good progress while Zimbabwe showed some regression. These statistics showed that since the adoption of the ECGI of NEPAD, the Southern African subregion environment has improved

significantly since the adoption of the 1994 King I Report and the 2002 King II Report, which were reports emphasising good governance. Furthermore, legislation was introduced covering anti-corruption, whistle blowing and money laundering. In Botswana corporate governance was also championed by the Institute of Directors together with the King II Report and Combined Code that were also adopted where the government recognised that the implementation of good governance principles is fundamental to its Vision 2016 (Chandi, 2005: 16; Katzenellenbogen, 2005).

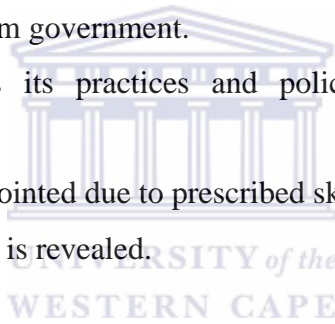
The DBSA which operates on southern Africa, Vodacom and Shoprite's role in the rest of Africa will be referred to as examples of where corporate governance is implemented. The reason why mention is made of the DBSA is because it can also be used as an example of corporate governance implemented by the economic sector on the continent and it was the only institution indicating its practice of corporate governance at the time. These institutions were chosen because publicly it is documented that these institutions implement corporate governance by drafting and adhering to internationally agreed principles, codes of ethics and good practices and by conducting workshops and programmes to change social policies. Through stating the following examples of the countries that were voluntarily peer reviewed, the researcher aims to clarify whether countries that have implemented the ECGI can be used as an indication of whether an important dimension of NEPAD is being implemented in Africa as a whole.

A subregional institution that illustrated the implementation of corporate governance is the DBSA. The DBSA is a Direct Foreign Investment (DFI) wholly owned by the Republic of South Africa but has an SADC regional investment mandate. The mandate of the DBSA focuses mainly on economic infrastructure investment, which includes energy and power, oil and gas, agri-business, ICT and telecoms, transport systems (airports, roads and ports, and pipelines), water and sanitation, mining, financial sector and capital markets. About two-thirds of the DBSA's infrastructure projects are in South Africa and the rest are in the Southern African subregion. The National Treasury (under the Public Performance Management Act) is responsible for supervising the DBSA. Where the implementation of the economic and corporate governance initiative is concerned,

support and technical services on corporate governance and negotiations and contacts with member states are normally maintained with the responsible ministries. From the perspective of the DBSA, corporate governance is vital due to risks inherent in its business environment, corruption and money laundering, the inability to borrow or repay, reputation risks, loss of investor confidence, failure to attract and retain high-level skills and failure to account for the use of public funds and resources (Musasike, 2005: 25).

The corporate governance and accountability practices outlined by the DBSA are as follows on the institutional level (Musasike, 2005: 25–27):

- Shareholders/government approves the mandate and strategic direction but do not interfere in the day-to-day operations.
- Shareholders appoint the board of directors, and all except one are non-executive; of 15, only three are from government.
- The bank benchmarks its practices and policies against international best practices.
- Board members are appointed due to prescribed skills and experiences.
- Executive remuneration is revealed.



On the project or programme level the practices are as follows:

- Project appraisal incorporates the institutional model, which looks at client corporate governance and environmental and social issues.
- Diligence is conducted by all stakeholders.
- Regular monitoring and surveillance is done during implementation and after completion of a project.
- Regular reporting by borrowers to the bank takes place ((Musasike, 2005: 28).

The corporate governance initiatives of the DBSA have helped to reduce incidences of corruption, promote fairness and transparency and ensure favourable business outcomes, but the DBSA has stated that there is no single corporate governance model. There will always be the need for improved capacity for monitoring and evaluation to detect early warning signs in key projects, and generally governments are the most common culprits

in undermining corporate governance. The DBSA believes that when it comes to corporate governance, it needs to transcend organisations so that it becomes a way of doing business. A clear separation of duties and responsibilities among all key stakeholders as well as a balance between public and private sector representatives on boards should be maintained (Musasike, 2005: 25–27; Muneka, 2003).

In terms of the countries chosen, the researcher found that cognisance was given to corporate and economic governance levels. It will be noticed that the implementation of the ECGI affected these countries' governance levels positively. All four countries still have much to do in terms of governance but all four countries have shown an improvement in their governance levels and positively acknowledge the implementation of the ECGI. Africa as a whole registered a 5.1% average economic growth rate for 2004, up from 3.7% in 2003. Overseas development assistance (ODA) and FDI to Africa had been declining in the decade up to 2001. ODA in 2004 was up to \$24 billion from \$6 billion in 2000 (APRM Secretariat Ghana APRM report, 2005: 12; McCabe, 1992). These positive trends have been noted in the NEPAD documents and reports and are not anomalies but an indication of the reversal in negative trends due to countries' following sound macroeconomic planning, policies and management.

The following four countries, namely Ghana, Kenya, Rwanda and South Africa that are used as case studies will be analysed according to the specific parameters of the ECGI which are macroeconomic management, public financial management, banking supervision and financial services regulation and corporate governance. The first country outlined below is Ghana which was the first country to be peer reviewed by the APRM during 4–16 April 2005. The AU and NEPAD were very pleased with the fervent and complete support from both the country's people and President John Agyekum Kufour's government for leading the APR process (APRM Secretariat Ghana APRM report, 2005: 12).

3. CASE STUDY: GHANA

Since the return to democratic rule in 1992 Ghana has moved increasingly towards strengthening and consolidating liberal democratic principles, processes and structures. Ghana was considered committed to improved governance and the populace was determined to achieve a better quality of life. The country's progress in this historic development was seen as notable despite certain aspects that are still fragile (APRM Secretariat Ghana APRM report, 2005: 12). The review teams chosen described Ghana as an oasis of peace and tranquillity in a subregion that was perpetually in turmoil (APRM Secretariat Ghana APRM report, 2005: 12). The country has had three successful post-transition competitive multi-party elections in 1996, 2000 and 2004. This was a result of democratic and orderly transfer of power from one president to the next and from one party to another. These transitions have, however, only lasted for a few years before it was aborted but by the year Ghana was reviewed the democratic transition in place had already been in place for 12 years (APRM Secretariat Ghana APRM report, 2005: 12). The stakeholders' perspective of Ghana across the political spectrum was that competition for political power is open and robust but fractious and at times also explosive, especially before, during and after elections.

However, the problems that the review indicated as likely to diminish the competitiveness and sustainability of democratic politics in Ghana are the concerns about the inadequacy of resources, notably the human, financial and logistic capacity of the Electoral Commission (APRM Secretariat Ghana APRM report, 2005: 12). There are also problems with the sustainability of the Commission's budget being donor dependent, the lack of internal democracy within the parties and the potential long-term effect this may have in weakening democracy in the country. Ghana also has a problem of low representation of women in politics and this signifies a problem for participation and representation in politics as well as the ethic voting pattern that seems to be emerging in national elections (APRM Secretariat Ghana APRM report, 2005: 12).

Some of the issues that are recurring and cut across the four APRM thematic areas are the ability of Parliament to perform its representative, legislative and oversight functions, which are still limited. The following section is about the macroeconomic management of Ghana which is one of the four codes or strategies that are looked when looking at the implementation of the ECGI in the country.

3.1 Macroeconomic management

In terms of economic governance as part of the ECGI, Ghana initiated a comprehensive Economic Recovery Programme in 1983 already, which encompassed macroeconomic and structural policies. This followed a period of protracted economic decline throughout the 1970s and early 80s but by 1990–1991 it achieved a measure of success in its reform programme (APRM Secretariat Ghana APRM report, 2005: 43; South Africa Info, 2006: 1). Ghana's GDP growth rates have hovered between 4 and 5% over the past 12 years but the economy remains relatively weak and highly vulnerable to subregional political instability and external shocks from the world economy. The difficulties in containing major expenditure items such as the Wage Bill and interest payments on the public debt have affected the elusive control over the budget and the productive transformation of the productive structure of the economy (APRM Secretariat Ghana APRM report, 2005: 43; South Africa Info, 2006: 1–2).

The two main issues stressed in the country's self-assessment report and that preoccupied the mission during the country consultation was the weak internal capacity in economic management and the heavy dependence on external resources for financing government development expenditure. This encouraged Ghana to seek guidance from the IMF and World Bank (WB) for macroeconomic programming in general as well as the Bank of Ghana and bilateral donors. There has been a general agreement among stakeholders that national ownership of economic policies and programmes requires the willingness of Ghanaian citizens to take full responsibility for the outcome of national policies (Ghana APRM report, 2005: 43).

Since Ghana has implemented economic and corporate governance, the investment climate statements in 2008 by the US Department of State (US State Department, 2008) indicated that Ghana attracted FDI and it continued to be a priority for the government. The Ghanaian government controlled more than 350 state-owned enterprises at one stage, but nearly 300 were privatised by the end of 2000 under the privatisation programme of former president Rawlings. Privatisation efforts continued under the Kufuor Administration under a reconstituted Divestiture Implementation Committee, which is the government institution that oversees the privatisation of public enterprises. The government also pursued privatisation through selling of state-owned shares on the Ghana Stock Exchange (GSE) like in 2007 when the shares were placed in the Ghana Oil Company and State Insurance Company on the GSE. The Ghana Investment Advisory Council (GIAC), which was recognised with the help of the WB, helped shape government policy aimed at creating an enabling investment environment. The GIAC consists of multinational and local companies and institutional observers (IMF, WB and UNDP) (US State Department, 2008; Divestiture Implementation Committee, 2008).

Initially macroeconomic management was not a priority for Ghana but under the Kufuor Administration various things changed which made them seek guidance from the IMF and especially placing focus on local companies in the countries. Ghana changed their policies to assist local companies but many companies were privatised in the end. In terms of fiscal policies that were managed, the country did well because it attracted more FDI.

3.2 Public financial management

In terms of the transparency of the regulatory system, the government of Ghana's policies of trade liberalisation and investment promotion are guiding its effort to create a clear and transparent regulatory system. The Ghana Investment Promotion Center (GIPC) established a "one-stop shop" to facilitate business registration for investors as "it serves more as a facilitating mechanism". In November 2007 a new charter was also created under the Public Sector Reform Programme, whereby time frames were set for

government officials to perform specific duties that were set and monitored. The GIPC law also codified the government's need to present foreign investors with a liberal and transparent foreign investment regulatory regime (US Department of State, 2008).

Regarding continuous governance the government of Ghana established regulatory bodies such as the National Communications Authority, the National Petroleum Authority and the Public Utilities Regulatory Commission to oversee activities in the telecommunications, power and water sectors. By creating these bodies the country moved into a positive direction but they remained relatively under resourced and subject to political influence, which often limits their ability to deliver the intended level of oversight (Government of Ghana, 2008). This is very challenging for Ghana but the fact that the abovementioned regulatory systems were put in place means Ghana has started to take the ECGI seriously and it has played a positive role in its FDI (US Department of State, 2008; Ghana Investment Promotion Center, 2008).

However, in 2007, Ghana's score and ranking showed a minor improvement over the 2006 Transparency International Global Corruption Perceptions Index (Government of Ghana, 2008). Commercial fraud in the form of scams, especially in gold or currency deals, is, however, on the rise in Ghana (US Commercial Service in Accra, Ghana, 2008). Ghana's report did indicate that the country is off-target in the attainment of a considerable number of goals set out in the Ghana Poverty Reduction Strategy (GPRS) Paper for 2003–2005 and the MDGs. There is a lack of progress in gender mainstreaming as a result of cultural and other impediments as well as wide urban/rural and regional disparities in the distribution of the dividends of socio-economic development in the country (APRM Secretariat Ghana APRM report, 2005: 13; South Africa Info, 2006: 1–3). The trends in key economic parameters reveal considerable progress in stabilising and growing the economy, which is gradually etching towards stability. The cumbersome government requirements are serious obstacles to business development after there is slow progress in the structural transformation of the economy but looking at the above-mentioned four thematic areas, one can deduce that the ECGI was implemented in Ghana.

Implementing the ECGI and giving cognisance to governance corruption in Ghana has somewhat become less prevalent than in other countries in the region, and no US firms have identified corruption as the main obstacle to foreign direct investment. However, there was a growing perception in Ghana that government-related corruption was on the rise.

3.3 Banking supervision and financial services regulation

The government of Ghana recognised that attracting FDI required an enabling legal environment and passed laws that encouraged foreign investment and replaced some that previously stifled it. Sector-specific laws continue to further regulate banking, non-banking financial institutions, securities, telecommunications, insurance, real estate, energy and fishing. Although the Kufuor administration has publicly stated its support to eliminate or reduce its holdings in state-owned enterprises, it has made only three major new divestitures during its seven-year tenure: the Cocoa Processing Company, Ghana Oil Company and the State Insurance Company (Ghana Investment Promotion Center, 2008).

The GIPC law around governance continued to be applied to foreign investment in acquisitions, mergers, takeovers and new investments as well as to portfolio investment in stocks, bonds and other securities traded on the GSE. The law further delineated incentives and guarantees related to taxation, transfer of capital, profits and dividends, and guarantees against expropriation (US Department of State, 2008). There is no overall economic or industrial strategy that discriminates against foreign-owned businesses by the government of Ghana. In some cases the US and other foreign firms are able to participate in government-financed and/or research and development programmes on a national treatment basis. The foreign investment enjoys additional incentives if the project is deemed critical to the country's development (US Department of State, 2008).

Banking supervision and financial services regulation did not indicate significant change specifically around these two areas that can indicate that there was a real positive change after the implementation of the ECGI. It should be noted however that Ghana ensured the

implementation of laws that strengthened foreign investment and even if there are no specific things around banking systems in the country, incentives were created to guarantee relaxed taxation and profits.

3.4 Corporate governance

On the corporate governance level the government committed itself to the creation of a golden age for business in Ghana. The private sector has had palpable growth because of globalisation and the liberalisation of the economy in recent years. Ghana created a Ministry for Private Sector Development (MPSD) to spearhead a vibrant and competitive private sector. The emerging capital market is promising with significant momentum and these developments have placed new emphasis on the need for good corporate governance in the country. Awareness of corporate governance in general and of corporate social responsibility in particular is low. The Companies Code providing the main corporate governance framework for registered companies is robust but struggles to stay up to date with current developments in corporate governance.

The report also indicated that the institutions active in promoting good corporate governance are weak in financial, human and institutional terms, together with a lack of clarity in the respective roles of the public and private sectors. The access to finance, domestic resource mobilisation and support for small and medium enterprises (SMEs) are the difficulties experienced that hamper the facilitation of growth and the contribution to the economy. The failure to utilise the pre-eminent role of the private sector effectively in promoting growth has limited the economic opportunities in Ghana so far (APRM Secretariat Ghana APRM report, 2005: 47).

The GPRS aspires to achieve broad development objectives in the future, which include the following:

- Reduction of extreme poverty
- Social and human development
- Consolidation of democratic governance

- Strengthening of accountability
- Guaranteeing of protection of human rights and the rule of law (APRM Secretariat Ghana APRM report, 2005: 47).

The national aspiration of Ghana is to become a middle-income country by 2010 and the pursuit of neo-liberal policies since the 1980s has expanded economic, political and socio-cultural spaces. In this year of 2009 it seems it would be rather difficult for Ghana to achieve this but if Ghana continues to implement the ECGI around corporate governance, more positive results can transpire. Notable strides as seen within the various sectors have been made in several aspects and the government has made progress, albeit less than anticipated because of administrative capacity constraints.

4. CASE STUDY: KENYA

According to the Kenyan APRM Report, Kenya is reckoned to be a relatively stable country with a vibrant agricultural sector, especially horticulture, together with adoption and ratification of numerous codes of corporate governance and socio-economic development.

The report indicated that Kenya has a political environment that allows for open political debate, a resilient economy that is less dependent on donors than many other African countries and an established decentralised funding mechanism for local development; there is also hospitality towards refugees and migrants that has manifested itself for many decades. The 18-member Country Review Mission to Kenya from 3 to 14 October 2005 was led by Dr Graca Machel (member of the African Peer Review Panel). In response to the report President Moi Kibaki stressed the efforts of the Kenyan government in combating corruption at all levels and its commitment to improving governance across the board in the country. The Kenyan government is making great strides, as stated by the President, in developing power to the regions and investing in education and health as a way to break the cycle of poverty.

4.1 Macroeconomic management

The objective of the Investment Promotion Act of 2004 is to facilitate and attract investment by assisting investors in obtaining the licences necessary to invest and by providing other incentives and assistance. The act replaced the government's Investment Promotion Center with the new Kenya Investment Authority (KIA) (Herbert, 2007; Department of Trade in Kenya, 2007). However, the law created some new barriers: The Department of Trade in Kenya indicated that it set the minimum foreign investment threshold at \$500 000 (which was reduced to \$100 000 in 2008) and conditioned some benefits on obtaining an investment certificate from the KIA. "The requirement was likely to deter investment despite the argument that it was meant to protect small domestic businesses in certain areas. Foreign employees are expected to have special skills not available locally and also move towards being key senior managers (Businessanticorruption, 2008). Foreign investors are required to sign an agreement with the government defining training arrangements intended to phase out expatriates" (Department of Trade in Kenya, 2007). The only significant sectors in which investment (both foreign and domestic) is constrained are those where state corporations still enjoy a statutory monopoly. This is entirely limited to infrastructure (e.g. posts, power, ports and telecommunications) and the media, although there has been partial liberalisation of these sectors. For example, in recent years, five independent power producers (IPPs) have begun operations in Kenya (Department of Trade in Kenya, 2007).

There were efforts made to harmonise the investment regimes and incentives among the original EAC countries (Tanzania, Kenya and Uganda). Tariff barriers among the three EAC countries were removed in 1999 and in 2004, Kenya, Tanzania and Uganda signed a Customs Union Protocol, putting in place a three-tier tariff system and paving the way for further steps towards a common market. The realisation of a large economic bloc with a combined population of more than 120 million and a combined GDP of \$41 billion bears great strategic and geopolitical significance and offers the prospects of a renewed and reinvigorated EAC. Non-tariff barriers (NTBs), however, remained a problem in the EAC (Department of Trade in Kenya, 2007). Kenya has a recent investment code, articulated

in the Investment Promotion Act of 2004, and was designed to streamline the administrative and legal procedures to achieve a more effective investment climate. FDI inflows in the period 1996–2003 averaged US\$39 million a year. According to the Investment Policy Review of Kenya February 2005 report, the FDI stock in 2005 was \$1 045.9 million, which compared poorly with Tanzania and Uganda at \$2 582.5 million and \$2 042.2 million respectively. However, because there is poor data collection of FDI, it leads to the underestimation of actual inflows of FDI and this is especially problematic because there is no clear mandate on FDI, by any agency to collect data (Department of Trade in Kenya, 2007).. The Kenya Investment Authority (KIA), the Central Bank of Kenya (CBK) and the Kenya National Bureau of Statistics (NBS) which changed from the Central Bureau of Standards collected biased information on either the balance of payments inflows or investment projects. Between the period of 12 December 2005 and 16 November 2006, the KIA claimed that it “processed” 108 projects, with an estimated capital investment of KSh89.4 billion (\$1.28 billion), of which KSh80.4 billion (\$1.14 billion) was FDI. However, there is no way to indicate how many of these projects were actually implemented and at what value in 2006 (Department of Trade in Kenya, 2007).

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The government does not publish data on the value of FDI (position/stock and annual investment capital flows) by country of origin or by industry sector destination. There are more than 200 multi-national corporations that operate in Kenya and UNCTAD’s website does provide some additional data on FDI in Kenya. The main traditional sources of investment are the United Kingdom, Germany, South Africa and the United States, with Chinese investment increasing in the last four years (Department of Trade in Kenya, 2007). According to the investment climate statements, the Government of Kenya (GOK) has sought foreign investment through investment conferences and foreign trips occasionally led by the head of state. According to the Kenyan APRM report it failed to anticipate the violent response to the alleged election fraud by Kibaki in late 2007.

To conclude is to ask the question whether Kenya is really an open political system. The election violence and issues of land-ownership and minority ethnic participation in government would contradict this statement. For example, Odinga also accused Kibaki of

trying to steal the 2007 election. The APRM report is highlighting the level of governance in the various categories but issues like this around the election in 2007, was not present in the APRM report at the time of writing this mini-thesis. In Kenya one can conclude that the deterioration in economic performance together with rising problems of corruption, governance, inconsistency in economic policies and structural reforms and the deterioration of public services and infrastructure generated a long period of low FDI inflow that started in the early 1980s.

4.2 Public financial management

The country is reviewing the land reform issue, urban settlements, public service reforms, slums and empowerment of women and the youth. President Kibaki acknowledged the need to fast-track the implementation of the Programme of Action and the chairperson commended the President for his intervention to improve governance. Economic leadership has been at the forefront in East Africa and Kenya has enjoyed a long history of this as one of the largest and most advanced economies in the region (Government of Kenya, 2007). However, inconsistent efforts at structural reforms and poor policies over the past 15 years generated a prolonged period of decline in development indicators and significantly eroded this leadership position (Government of Kenya, 2007; 15th Summit of NEPAD HSGIC and the 5th Summit of the APRF, 2006: 13–16).

The strengths include a well-developed human resource base that is well engaged in development activities, high motivation and outspokenness on public affairs and a vibrant and diverse civil society that includes religious bodies, NGOs and the media. Numerous credible and renowned institutions that have fared well between 2004 and 2006, including the University of Nairobi, business and research organisations and the Nairobi Stock Exchange, were also noted (APRM Secretariat Kenya APRM report, 2006: 13; Goredema & Botha, 2004: 112). There were production and exports of horticultural products and domestic resource mobilisation, and the recent initial public offer of the power state company, Ken Gen, also featured as one of the most positive aspects. There was a promotion of decentralisation with the transference of several funds to local

authorities as well as a commendable free and universal primary education policy. Kenya has also been able to reduce the prevalence of HIV/AIDS from 13% to 7% between 1999 and 2004 and thus universal primary education and a fall in HIV/AIDS rates are exceptions (APRM Secretariat Kenya APRM report, 2006: 14).

The challenges of the country, however, included Kenya's inability to address the colonial legacy and the need to set a political agenda for real and strong national unity which affected the public financial management of the country. Political and civil rights are exercised with a considerable degree of freedom but the monitoring of service delivery was still challenging. Historical imbalances in the channelling of resources and development programmes to certain areas in Kenya that have perpetuated regional and ethnic inequalities needed to be addressed. The fact that there was a delay in promulgating a new constitution in spite of the Boma draft, which was the product of the most extensive constitutional consultations in Africa's history, was also a negative factor for the country. There was an absence of broad-based and inclusive political parties that cut across the racial and ethnic divides and that anchor on a truly national agenda. Together with this there was a lack of confidence and trust in public institutions coupled with pervasive corruption despite the substantive legal and institutional frameworks instituted to curtail this.

Other challenges on the public financial management level were the high incidence of poverty and pervasive unemployment as the lack of efficient service delivery continued around basic needs of people, especially amongst the youth. The ineffectiveness of the parliamentary oversight committees and the underrepresentation of women in key positions of leadership at all tiers of government and the private sector is still present in Rwanda. There is also still a lack of enforcement mechanisms as well as the weak implementation of policies and programmes in the public sector, the limited access to finance for small business and the low probability of meeting the MDGs (APRM Secretariat Kenya APRM report, 2006: 13–14; Addo, Aning, Birikorang & Sowatey, 2004).

Public management definitely improved in the country after the implementation of the ECGI but as seen, there are still many challenges the country face especially amongst the youth and women. However there is still a Programme of action in place which specifically focuses on more inclusion of all sectors in the country, as well as catering for the needs of all people.

4.3 Banking supervision and financial services regulation

Kenya completed a detailed assessment of each standard or code listed in the APRM questionnaire and addressed the underlying deficiencies where compliance was incomplete on the economic governance and management level of the ECGI. The country had to design a comprehensive policy directed squarely at the issue of diversification of the domestic production structure and of exports, and appropriate steps had to be taken by Parliament to effectively perform its oversight role in the budgetary and planning areas by recruiting qualified staff and providing for appropriate technology and library facilities. These recommendations came from the panel and the panel felt that more positive results could have been achieved on the level of corporate and economic governance around the regulation of financial services. Kenya's governance levels were good but by implementing the ECGI to the letter, more benefits could be generated (APRM Secretariat Kenya APRM report, 2006: 15).

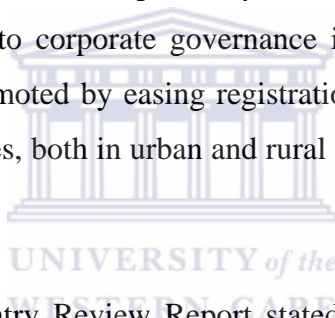
The Investment Policy Review 2005 of Kenya estimates the market value of US investment at around \$285 million, primarily in commerce, manufacturing and the tourism industry (Government of Kenya, 2007). But other studies contend that American investment is considerably less: no more than \$90 million. 64% of most foreign investment in manufacturing since 2001 was tied to apparel investment.

As a result of the APRM and the ECGI, the Department of Trade report indicated that the GOK enacted several reforms, which included abolishing export and import licensing, except for a few items listed in the Imports, Exports and Essential Supplies Act, rationalising and reducing import tariffs, revoking all export duties and current account

restrictions, freeing the Kenya shilling's exchange rate, allowing residents and non-residents to open foreign currency accounts with domestic banks and removing restrictions on borrowing by foreign as well as domestic companies.

4.4 Corporate governance

On the corporate governance level, Kenya had to improve the investment climate and restore competitiveness by significantly developing infrastructure, reducing costs of doing business and eliminating insecurity in the country. Despite the strengths that were mentioned, on its corporate governance level, Kenya had to update the legal and regulatory framework, enforce implementation of laws and regulations, and enhance capacities of professional government supervisory institutions. The participation of the private sector when it comes to corporate governance is pivotal to the ECGI because SME activities need to be promoted by easing registration, improving access to finance and boosting industrial activities, both in urban and rural areas (APRM Secretariat Kenya APRM report, 2006: 15).



Kenya's response to the Country Review Report stated that Kenya organised a high-profile Cabinet retreat and responded elaborately to the report, which was highly commendable. Most of the recommendations of the panel were welcomed. Kenya also prepared a detailed Programme of Action that included time-bound commitments on key governance and socio-economic challenges over the next three years (APRM Secretariat Kenya APRM report, 2006: 15). The total budgeted amount for the Programme of Action in US\$ is 49 467 million. The country's response indicated that Kenya had started to implement its Programme of Action and it was encouraging to note that most of the funding would be generated within the country. In this regard, there was a need for the broad-based involvement of all stakeholders in the implementation of the programme with a view to engendering greater ownership and participation (APRM Secretariat Kenya APRM report, 2006: 15).

As was seen the report on economic and corporate governance indicated that Kenya recognised its problems and was committed to making a change. Kenya has been seen as an underperformer over the past 25 years in attracting FDI. Since 2003, Kenya's performance in attracting FDI has been marginally better at nearly US\$6 per US\$1 000 of GDP (US\$82 million in total) (Department of Trade in Kenya, 2007; Herbert, 2007). But this was well below potential and pales in comparison to the FDI levels in neighbouring countries with smaller economies. The GOK reviewed its investment policy and launched a private sector development strategy in 2007 to make the country more attractive to investors. A policy review by UNCTAD is one component of this effort. The legal framework for FDI is provided by the Companies Ordinance, the Partnership Act and the Foreign Investment Protection Act (Department of Trade in Kenya, 2007; Herbert, 2007).

The main recommendations from the panel were on the following levels:

On the democracy and political governance level it was recommended that Kenya needed to devise a long-term and far-reaching policy and management of diversity. The Kenyan power elite have to work astutely and diligently with the entire population to forge a consensus on modalities of adopting an acceptable constitution. In the light of current developments and the degree of internal schisms, polarisation and ethnicisation of political issues, the panel recommended that a group of high-level, eminent persons be created by the AU to facilitate a resolution of the constitutional crisis (APRM Secretariat Kenya APRM report, 2006: 15; Gathaka & Wanjala, 2002: 14–22).

For Kenya to achieve socio-economic development the implementation of the programmes for alleviating poverty, the Social Action Fund, slum upgrading, low-cost housing and a vulnerability programme need to be accelerated. The panel also indicated that Kenya should consider providing alternative education models appropriate for children of nomadic groups with the involvement of stakeholders. For further socio-economic development the Affirmative Action Bill, the National Gender and Development Bill, the Equality Bill, the Domestic Violence (Family Protection) Bill and the Gender and Development Policy Bill need to be enacted (Gathaka & Wanjala, 2002: 14–22).

Taken into consideration the recommendations from the panel, one can conclude that particular roles of the public and private sectors have evolved since independence in 1963, with a shift in emphasis from public investment to private sector-led investment. The GOK introduced market-based reforms and provided more incentives for both local and foreign private investment so that multinational companies make up a large percentage of Kenya's industrial sector. There are some exceptions but some foreign investors seeking to establish a presence in Kenya generally receive the same treatment as local investors (Government of Kenya, 2007).

5. CASE STUDY: RWANDA

Rwanda was one of the first countries that allowed peer revision. President Kagame stated that Rwanda was committed to developing a culture of peer assessment in order to determine to what extent the country would comply with agreed codes, standards and commitments that underpin good governance and sustainable development (COMESA Summit, 2004: 1). Despite the fact that Rwanda is still dealing with the legacy of the 1994 genocide, it has since become a member of and signatory to a number of international treaties such as the World Trade Organisation (WTO) and COMESA and has become increasingly open and willing to embrace international best practices.

At the ninth COMESA Summit in Kampala in 2004, President Kagame made a speech about Rwanda's peer review and practice of economic and corporate governance and the need for the country to share experiences with its peers and identify and reinforce best practices. He opened by stating, "Building business confidence through corporate governance and African Peer Review is a topic that we, in Rwanda, are interested in, given the recent submission of Rwanda for review within the framework of the APRM" (COMESA Summit, 2004: 1). He added that in the past, African countries were subjected to assessment methods and standards determined by bilateral and multilateral donor agencies, which "kept shifting goal posts, or used different yardsticks, depending on their whims". These standards often lacked consistency, credibility and mutual accountability (COMESA Summit, 2004: 1).

The Rwandan report was presented to the 3rd Summit of the African Peer Review Forum (APRF) in Abuja in June 2005. In terms of the major issues in the four thematic areas, the following transpired in the report: (15th Summit of the NEPAD HSGIC & 5th Summit of the APRF, 2006: 17–20).

5.1 Macroeconomic management

Rwanda seemed on course to become compliant with best practices for budgetary transparency. The government maintains zero tolerance against all forms of corruption (political, administrative and economic) at all levels of government and Rwanda is committed to promoting regional integration initiatives. These are the exact aspects required for economic governance as stated in Chapter 2 on how the ECGI ought to be implemented. However, the narrow tax base, the inadequate legal framework on money laundering and the vagueness of expenditures classified as “exceptional expenditure” pose difficulties for the country ahead. This is something that can be worked on and Rwanda has committed itself to doing that after its peer revision (APRM Secretariat Rwanda APRM report, 2006: 18). Regulations concerning the Regulation Agency and in contrast the Rwanda Environment Management Agency, lack the same degree of transparency and this often confuse investors. FDI statistics from 2001 to 2004 as provided by UNCTAD are as follows:

Year	FDI: US \$	Per \$ 1000 of GDP
2001	US\$3.8 million	\$2.30 per \$1 000
2002	US\$7.4 million	\$4.50 per \$1 000
2003	US\$4.7 million	\$3 per \$1 000
2004	US\$10.9 million	\$5.90 per \$1 000

The FDI reports from RIEPA indicate FDI of \$115.1 million for 2005 and \$104.9 million for 2006. However, most observers consider RIEPA estimates to be inflated (APRM Secretariat Rwanda APRM report, 2006: 19).

In 2005, the law established Rwanda Investment and Export Promotion Agency (RIEPA) that was expanded to include export promotion, reflecting the government's focus on export-driven development. No discrimination was reported against foreign investors who used RIEPA's "one-stop" investor services. There is no mandatory screening of foreign investment, but the RIEPA does evaluate business plans with the objective of recording incoming foreign investments, allocating investment incentives to qualified foreign investors and determining the commitment of investors (APRM Secretariat Rwanda APRM report, 2006: 19; Muneka, 2003). No laws specifically existed which authorised private firms to adopt articles of incorporation or association that limit or prohibit foreign investment, participation or control. RIEPA organised investment conferences, both in Rwanda and abroad, in attempts to attract foreign investment into the country. There are reports of RIEPA directors and local businesses that join the president of Rwanda in tours around the world to attract foreign investors. RIEPA assists potential investors in securing all required approvals, certificates and land for their projects, work permits and tax incentives (APRM Secretariat Rwanda APRM report, 2006: 19). RIEPA was one of Rwanda's agencies that operated in line with the ECGI on corporate and economic governance as it evaluates the investors who want to contribute to FDI in the country. This not only improved FDI in the country but it also contributed to the economic development of the country.

In terms of FDI the government of Rwanda recognised that the private sector was a fundamental engine of development. The government welcomed foreign investment in practice and in policy. In 2007, foreign companies successfully opened operations, merged with local companies and participated in privatisation programmes. The Rwandan report indicated that there was no official economic or industrial strategy that had discriminatory effects on foreign investors and no statutory limits on foreign ownership or control existed. In fact, there were no statutory restrictions on investment in any sector in Rwanda (APRM Secretariat Rwanda APRM report, 2006: 19). Nonetheless, the ECGI played an important part in Rwanda after its peer revision as a business law reform commission was put in place to draft major business laws including intellectual property protection, contract law, bankruptcy regulations and arbitration law. It can be

said thus that on the macroeconomic level, Rwanda made notable strides considering the investment in the country.

5.2 Public financial management

In terms of democracy and good governance, the Rwanda report indicated that Rwanda ratified almost all the standards and codes and in doing so demonstrated a good example of political will to adhere to the rule of law and good political governance (APRM Secretariat Rwanda APRM report, 2006: 17). Efforts were made to promote constitutional democracy in Rwanda, as shown with the adoption of a constitution through referendum, which provides for the establishment of an independent judiciary, a Human Rights Commission, the Institute of Ombudsman and other institutions. The government of Rwanda is still making steady progress in promoting social and economic rights; for example, access to education increased through the waiver of school fees and a decentralised health system and increased participation in service delivery were affected. It is also worth noting the attainment of gender equality in decision-making areas where 48.8% of parliamentarians are women in line with the goals of NEPAD (APRM Secretariat Rwanda APRM report, 2006: 17). Rwanda fostered ownership and self-sustaining development and ensured broad-based participation in the development process, for example in the Ubudehe and the Women's Council and Umuganda. In terms of the limited capacity at all levels of government in promoting socio-economic development, the high incidence of HIV/AIDS (13% prevalence rate), the poor child and maternal health and the outdated laws on energy and markets were the only main aspects that were taken up with the country.

Rwanda has, however, inadequately implemented ratified legal instruments, and land issues are still a problem as the population of Rwanda is growing and employment off farms is becoming scarce. In terms of democracy, Rwanda's political parties are still unable to operate freely (beyond provincial level) and the method of voting at local level comprises the principle of the secret ballot enshrined in the Constitution. Access to justice has increased through the revival of the traditional Gacaca Courts that are being

used as an instrument of administering post-genocide justice. However, there is still a concern about reaching certain standards related to economic and corporate governance in terms of government institutions and certain businesses operating in the country (APRM Secretariat Rwanda APRM report, 2006: 17).

5.3 Banking supervision and financial services regulation

Kagame stated that since 1994 the Rwandan government has embarked on a comprehensive package of policies and programmes geared towards creating an environment for sustained economic growth and private sector development (Kagame, 2004: 1). In terms of banking supervision Rwanda established public procurement and ensured that all transactions adhere to these rules and putting in place institutions that facilitate private sector development, including the Rwanda Bureau of Standards, the Multi-Sector Regulatory Agency, the Rwanda Information Technology Agency and the Centre for the Promotion of Small and Medium-Sized Enterprises. They focused strongly on building the private-public sector partnership and in terms of the financial services regulation. Another very important aspect indicated in the report in terms of governance was Rwandan insolvency law, which provides for clear and relatively quick mechanisms to protect all contracting parties' interests.

The Government of Rwanda (GOR) generally used transparent policies and effective laws to foster clear rules consistent with international norms. Institutions such as the Rwanda Revenue Authority, the Ombudsman's Office, the Bureau of Standards, the Rwanda Utilities Regulatory Agency, the National Tender Board and the Privatisation Secretariat all have clear rules and procedures.

Again in terms of this sector not much is specifically said around the banking system of the country or the regulation of specific financial services as in the other cases before Rwanda. Bank transactions in the bank are done by regulatory rules and this at least indicates a positive change and implementation of the ECGI within this sector.

5.4 Corporate governance

Although corporate governance was a fairly new area in Rwanda, the Rwandan report also indicated that some practices in terms of procurement are quite advanced. The procurement law gave decentralised authorities the capacity to make decisions on tenders below the following thresholds: US\$ three million at the district level and less than US\$ 40 million at the provincial level. Rwanda's success seems to be at the level of public and private partnerships, something Rwanda could share with other African countries. However, the monetary and financial markets were dominated by nine banks and six insurance companies, in which the state continues to be the dominant shareholder. The preliminary exchanges between the Review Mission and the stakeholders led to the assessment of some of the existing laws of the framework including labour law, the rights of workers and the rights of women.

Rwanda's commercial law also clearly establishes the role and responsibilities of corporate boards and management, something the rest of the countries in the region can aspire to. Specific training sessions for directors and managers is the next step that needs to be designed together with private sector entities (APRM Secretariat Rwanda APRM Report, 2006: 17). The ECGI has increased the economic and corporate governance levels and has changed the country quite dramatically in terms of its economic development (APRM Secretariat Rwanda APRM report, 2006: 19).

Rwanda has therefore embarked on a comprehensive package that includes policies and programmes that are geared towards Rwanda's taking the following measures to create business confidence in line with what the APRM also outlines as follows and which sums up improvement on all levels of the ECGI (Kagame, 2004: 1):

- Maintaining peace, security and the rule of law, stabilising the macroeconomic environment through the adoption and implementation of prudent fiscal and stabilising monetary and exchange rate policies and reducing the average corporate tax rates from 40% in 1995 to 35% currently.

- Liberalising trade and investment through the commitment to regional economic integration and significant reduction in tariffs and licensing requirements as well as improving banking and financial operations, together with facilitating investment opportunities and the starting of businesses (such as the establishment of the RIEPA as a one-stop centre (COMESA Summit, 2004: 1).).

According to President Kagame all these above-mentioned changes were carried out whilst the country was also at the same time seeking to join regional and international organisations (Kagame, 2004: 2). President Kagame also clearly noted that there cannot be a “one-size-fits-all” approach to enhancing corporate governance in developing countries but that his message to the continent is that reaping the full benefits of globalisation for all countries and for all segments of the population, including the poor, requires a combination of good corporate and good political governance (Kagame, 2004: 3).

6. CASE STUDY: SOUTH AFRICA

The much-awaited APRM Country Review Report of South Africa was tabled to African leaders at the 6th Summit of the APRM as expected but was first postponed to July 2007 for the 6th APRM Summit that would have taken place alongside the 8th African Union Heads of State and Government Summit in the Ethiopian capital. The reason the South African Country Review Report was not tabled initially was that the heads of state saw South Africa’s report as largely still in a draft form containing factual errors and the African leaders noted that the report also did not include the most recent comprehensive South African Programme of Action.

Adedeji (part of the African Peer Review Panel) stated in the report that South Africa had made significant gains since the defeat of apartheid but had also failed in many respects, including securing the safety of its children (Boyle, 2007: 2). The 300-page APRM report listed 15 key threats to South Africa’s stability, which ranged from violent crime to

unemployment, unintended consequences of black economic empowerment and the gap between the incomes of the rich and the poor.

Herbert (2007: 1) noted that the South African government's response appeared to be "churlish and quibbling" because the manner in which the country had conducted the review process damaged the nation's reputation as well as that of the APRM. Tilley (2007: 1) indicated that the rest of Africa would look to Pretoria for a lead in the case of SA and dismissed the review. Other governments on the continent would thus feel at liberty to repudiate negative findings about them. The country's response was supposed to be presented by former President Mbeki at the meeting of the 26 participating African heads of state in Addis Ababa in January 2007.

The report was then tabled in July 2007 and the following was published on the key thematic areas:

The general consensus is that the oppressive political and governance institutions established by the system of apartheid cannot be reformed but must be transformed. This transformation can only be led by an appropriately activist state dedicated to correcting imbalances and ensuring justice for all (APRM Secretariat Country review report of South Africa, 2007: 5). The resurgence of popular participation has made it possible for the media to play an important role in maintaining the momentum for reform and transformation, as dictated by the Constitution (APRM Secretariat Country review report of South Africa, 2007: 5). The South African Constitution has been hailed as one of the most progressive in the world. Its vision for the country is one of a non-racist, non-sexist and human-rights-based society. The Constitution has thus become a bedrock of the country's governance and development, supported by well-established democratic institutions and a very vibrant media and civil society (APRM Secretariat Country review report of South Africa, 2007: 5). However, the context within which constitutional governance arrangements have been crafted needs to be kept in mind. It is therefore not surprising that the South African Constitution entrenches a comprehensive set of inalienable rights. The judiciary is empowered to uphold the Constitution and both the parliament and the executive are required to uphold the authority of the judiciary.

Although the country has introduced an innovative notion of decentralisation, the concept of co-operative government faces a number of challenges, including lack of capacity at local government level (APRM Secretariat Country review report of South Africa, 2007: 5).

“Internally, South Africa has competently managed potential conflicts since the end of apartheid in 1994 through a spirit of reconciliation and accommodation cultivated in the governance system and civil society. However, deeply entrenched socio-economic inequalities, coupled with competition among the citizenry for state resources, constitute potential sources of social conflict. South Africa signed, ratified and acceded to most international treaties, most of which have been domesticated in the Constitution” (APRM Secretariat Country review report of South Africa, 2007: 6). Nonetheless, efforts have to be made to ensure that the codes and standards the country has committed to are effectively implemented (APRM Secretariat Country review report of South Africa, 2007: 6). Unlike most African countries, South Africa has a democratic multi-party political system that is based on proportional representation at national and provincial levels. Lack of access to justice was a major issue among stakeholders. They pointed out that the alarming level of crime across South Africa, in both urban and rural areas, is an example of lack of protection of their human and civil rights (African Union, 2008).

6.1 Macroeconomic management

A holistic package of strategies, policies, programmes and plans, if targeted at the major strengths and challenges identified in the review process, will help embed governance and development in South Africa. It can be accepted that governance is very important for South Africa and have made sure to implement governance as it creates a more co-operative government, more consultations and disciplined policies are followed and the country strives towards an equitable society.

It can be concluded, however, that the government of South Africa is open to foreign investment, which it views as a means to drive growth, improve international competitiveness and obtain access to foreign markets. Virtually all business sectors are

open to foreign investors. No government approval is required, and there are almost no restrictions on the form or extent of foreign investment. Trade and Investment South Africa (TISA), a division of the Department of Trade and Industry provides assistance to foreign investors. The agency concentrates on sectors in which research has indicated that the country has a comparative advantage. TISA offers information on sectors and industries, consultation on the regulatory environment, facilitation for investment missions, links to joint venture partners, information on incentive packages, assistance with work permits and logistical support for relocation (Department of Trade and Industry, 2007).


Since 1994, the government has sought to liberalise trade and enhance international competitiveness by lowering tariffs, abolishing most import controls, undertaking some privatisation and reforming the regulatory environment. To alleviate high unemployment the government has focused on quickening the pace of economic growth and job creation. Given steady domestic investment and the relative lack of FDI, the government is convinced that the public sector must take the lead by investing in the nation's inadequate infrastructure. Under the government's new Accelerated and Shared Growth Initiative of South Africa (ASGISA), unveiled in 2006, state-owned enterprises plan to invest more than \$50 billion over the next four years, mainly in transportation infrastructure, telecommunication networks and energy. Other key elements of ASGISA include labour market reform, improved delivery of public services, skills development, a revamped industrial policy and support to small business (Department of Trade and Industry, 2007).

In August 2007, the DTI launched its National Industrial Policy Framework and accompanying Industrial Policy Action Plan to promote a more labour-absorbing and broader-based industrialisation path in four lead sectors: capital or transport equipment; automotive; chemical, plastic fabrication and pharmaceuticals; and forestry, paper and furniture. Business process outsourcing, clothing and textiles, tourism and biofuels were also identified for immediate attention.

South Africa still faces challenges of corruption and money laundering. Commendably, it has put in place legislation and institutions to curb the vice of corruption at all levels.

These measures have yielded tangible results, though corruption still remains a problem due to capacity constraints. In terms of economic governance and management South Africa with a GDP of US\$239 510 billion in 2005 has the largest and most sophisticated economy in Africa. The country accounts for about 35% of the total GDP of sub-Saharan Africa, and its economy is three times that of its closest rival, Nigeria. “The country exerts major influence on total output, trade and investment flows to the African continent. South Africa represents only 3% of the continent’s surface area yet accounts for approximately 40% of industrial output, over half of generated electricity and 45% of mineral production in Africa” (APRM Secretariat Country review report of South Africa, 2007: 13–14).

When the new government took over in 1994, the economy was characterised by the following:

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- Negative growth, leading to contraction of the economy and the wealth of the nation.
 - A reduction in the average income of South Africans since the 1980s due to more than a decade of declining growth in per capita terms.
 - A total of almost R50 billion total net capital outflows in the period from 1985 to mid-1994.
 - A budget deficit equal to 9.5% of the GDP, including the debt of the so-called independent homelands runs by the apartheid government, in the fiscal year 1993/4.
 - US\$25 billion in deficit in the net open-forward position of the South African Revenue Board (SARB).
 - Public sector debt equal to 64% of the GDP (APRM Secretariat Country review report of South Africa, 2007: 18).

During the past 13 years, South Africa has made measurable progress in addressing the challenges in economic governance and management. The new government has pursued policies that have restored and maintained macroeconomic stability after decades of

isolation and economic sanctions (APRM Secretariat Country review report of South Africa, 2007: 19). “Inflationary pressures have also been contained while budget deficits have been reduced through robust measures for mobilising revenue. Since the new government took over, the macroeconomic situation in South Africa has changed considerably” (APRM Secretariat Country review report of South Africa, 2007: 19). The country experienced the longest period of continuous growth since the GDP was properly recorded in the 1940s and the public sector debt came down less than 50% of the GDP. This is an indication that the implementation of the ECGI did considerable well over the past decade; macroeconomic management has been strong, resulting in a strengthened rand and a consistently positive rate of economic growth.

6.2 Public financial management

In order to enhance socio-economic development, the new administration had to embark on numerous governance reforms, undertake measures for redistributing wealth and enact various policies that would ultimately serve to enhance the standard of living of all South Africans. Although the outcomes of South Africa’s socio-economic policies have been mixed, there was no doubt that significant improvements have been made in the provision of basic services. By 2005 South Africa had improved on the following and is the only country where improvements are listed as follows in the country review report:

- Approximately 2.4 million housing subsidies had been approved.
- Some 1.74 million housing units had been built for the poor.
- About 3.5 million homes had been electrified, which translates into over 435 000 homes per annum.
- About 90% of the entire population had been given access to an improved water supply.
- Basic sanitation infrastructure and an integrated education system had been created.
- Nutrition programmes had been established and 10.5 million had been given access to social grants (APRM Secretariat Country review report of South Africa, 2007: 20)

These factors were all highlighted as the ECGI played a significant role in the governance of various departments together with economic and corporate governance. The African Peer Review Panel believed that there is a danger of a large percentage of the South African population being dependent on social grants. Also, despite tremendous progress, many inherited socio-economic inequalities have remained; moreover, poverty still remains and there is no nationally accepted definition of poverty. South Africa also did not build the MDGs explicitly into its planning framework in terms of the alignment and harmonisation of programmes. This was evident in the 2005 MDG Progress Report of South Africa (APRM Secretariat Country review report of South Africa, 2007: 29).

In the area of gender, South Africa has made significant strides in promoting the rights of women. South Africa also faces the major problem of vulnerable people, such as refugees and displaced and undocumented persons. Xenophobic tendencies towards these groups prevail despite the fact that the country has signed and ratified relevant regional conventions (APRM Secretariat Country review report of South Africa, 2007: 9–12; African Union, 2008). In the APRM review the report also stated that it was evident that South Africa has made significant gains in the sphere of democracy and governance. For democracy to become sustainable, however, it must be pluralistic. Among other things, this requires establishing and strengthening the rules that will sustain multi-partyism in the political system and governance process.

6.3 Banking supervision and financial services regulation

The Policy Framework anticipates initiatives in the form of tariff reductions, increased industrial financing and additional incentives for investors. A 2005 survey of South African businesses sponsored by the World Bank and DTI queried domestic and foreign firms about South Africa's investment climate. Constraints most often mentioned were the lack of skilled labour, the strong rand limiting exports, labour relations and crime. A 2005 survey conducted by the American Chamber of Commerce in South Africa reinforced these views (Department of Trade and Industry, 2007). Private and state-owned corporations produce the bulk of South Africa's output and exports, manage most of its capital stock, are central to the allocation of investment and are responsible for

virtually all of the country's savings. Over the past 13 years, corporations have mobilised more than three-quarters of South Africa's domestic savings, allocated and planned 85% of all investment and currently own and manage three-quarters of the country's capital stock. South Africa has a high-quality physical and economic infrastructure, a growing manufacturing sector and growth potential in tourism and the service industry. It also has a highly sophisticated banking system that ranks with the best in the world, having been rated tenth globally (APRM Secretariat Country review report of South Africa, 2007: 5; African Union, 2008).

Today South Africa controls 80% of the regional economy and has a 9:1 trade balance with its neighbours (Adebajo, Adedeji & Landsberg, 2007:1-2). The country's economic presence has, however, been criticised for being similar to that of the previous colonialists, but the South African business community would like to believe that investing in Africa would make it better for all in the long run. This statement is exactly this, a belief, as most are interested in the money. South African fast-food chains such as Chicken Licken, Nando's and Steers are household names across Africa and South Africa Breweries (SAB) purchased Miller, ensuring that Africa competes in the global beer wars (Grobbelaar, 2004). Sustainable development as stated is one of the most important goals of NEPAD through the ECGI. Business licences to operate depend largely on responsible operation in all aspects. BHP Billiton highlights its values, which include that projects should operate with integrity, high performance, win-win relationships, respect for others and the safety of the environment and its people.

Corporate governance is therefore very important and ties in with the banking system and the regulation of financial services. BHP Billiton operates on these values, which leads to successful relationships with the Departments of Foreign Affairs of the Democratic Republic of Congo and Guinea, where BHP Billiton has a 33% operating share in the Guinea Alumina refinery project and infrastructure development (Maphai, 2007). Vodacom and MTN are both huge communication networks operating across Africa. Vodacom states that it is committed to investing actively in Africa on the premise of

democratising communications on the continent, sustaining local partnerships based on respect, trust and recognition for countries' local laws, norms and policies (Maphai, 2007a: 3). MTN also operates largely in Nigeria, where it has had huge success, and has inspired Stanbic, Rand Merchant Bank and Protea Hotels to follow its example (Adebajo, 2007b: 3). These above-mentioned examples indicate the importance, benefits and challenges that can arise when operating across regions but also show that good corporate governance can strengthen business relations and eventually strengthen regional ties as well.

6.4 Corporate governance

On the corporate governance level the country made tremendous progress in implementing corporate governance standards and codes. Among others, it adopted the Principle of Corporate Governance designed by the Organisation for Economic Cooperation and Development (OECD) and Commonwealth associations. The regulatory framework for economic activity in the country is adequate and supported by a wide variety of regulatory oversight institutions and professional bodies. The stakeholders agreed that the Companies Act of 1973 was outdated and in need of amendment. Concerns were also raised around the delays in business registration and commercial dispute resolution. Changes were made to legislation, regulations, listings rules and accounting standards to bring them in line with international norms. As a result, the report indicated that South Africa currently rates among the best performers in corporate governance in emerging markets (APRM Secretariat Country review report of South Africa, 2007: 28–29).

On December 6, 2006 Cabinet approved the Codes of Good Practice specifying BEE requirements. These codes deal with employment equity, skills development, enterprise development, preferential procurement and small and medium-sized enterprises. They also permit multinational corporations to score equity ownership “points” through the use of mechanisms not involving the transfer of equity if these mechanisms are approved by

the DTI and the multinationals have a global corporate policy of owning 100% of the equity in their subsidiaries. The American Chamber of Commerce and many individual US companies had pressed for the right to use such “equity-equivalent” mechanisms. These Codes were published in the Government Gazette in February 2007.

Nedbank is used next to illustrate corporate governance in South Africa as corporate South Africa has made returns of over 30% (banking sector) and at certain times 50–60%. Amith Singh (2005: 31) from Nedbank Group Limited gave a presentation in 2005 on Financial Intermediation and Corporate Governance in South Africa. He defined the “Equator Principles” as enterprise governance, involving both the corporate governance and business governance aspects of an organisation. These principles are adopted and implemented voluntarily and independently without reliance on or recourse to the World Bank. In his presentation he indicated that Nedbank had revised its code of ethics to reflect developments in the sector, locally and internationally, and had committed itself to sustainability programmes as well. These include Affinity programmes such as Green, Sports, Arts and Culture and Children’s Affinity Trusts, Nedbank Foundation, staff participation programmes, such as Local Heroes and Team Challenge, and environmental management that include internal lending or financing activities. As indicated by Singh (2005: 32–33) the measurement of “Nedbank Progress include the Sustainability Reports of 2003/4 (Corporate Citizenship report 2002); Revision of Group Environmental Policy; Inclusion in Credit and Cluster credit policies; Revision of code of ethics; UN Global Compact Signatory 2005 and Adoption of Equator Principles 2005”. The Equator Principles of Nedbank are an industrial approach for financial institutions that determines, assesses and manages environmental and social risks in project financing (Games, 2004; Kganyago, 2006).

These principles have only been adopted by 35 companies and Nedbank is the first African bank to adopt these principles. These principles will ensure that projects that are financed will be developed in a manner that is both socially responsible and reflects sound environmental practices. These principles prevent the bank from providing loans

directly to projects where the borrower will not or is unable to comply with environmental and social policies and processes. These practices have allowed the banking sector to make returns of over 30% and at times up to 50–60%, as in 2003 (Games, 2004; Kganyago, 2006). The principles, as stated by Nedbank, were adopted to be in line with the changing environmental and social policies and developments in the South African legislation and codes. Singh (2005: 33) stated in his presentation that the adoption of these principles would help to boost the existing risk management processes and create positive relationships with other Equator banks, clients, NGOs and other stakeholders.

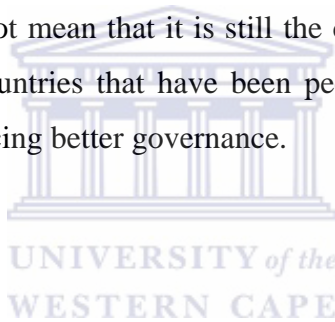
Corporate governance from the NEPAD documents focus on internationally agreed norms and practices, but not much emphasis is placed on the actual business practices of companies in other countries. Shoprite has 72 shops in the rest of Africa, making it the continent's supermarket of choice. In the case of Zambia, Shoprite's presence was questioned because the senior management remained white South African males, none of whom were local. Together with this the local products were considered inadequate as 65% of the products are sourced from South Africa (Grobbelaar, 2004; Adebajo, Adedeji & Landsberg, 2007: 2). The presence of Shoprite in Zambia seems feasible in the economic sense, but African dependency keeps being mentioned, as the indigenous people would never be able to run their own industries on these terms (Miller, 2005; Muneka, 2003).

7. CONCLUSION

The above-mentioned countries were all used as case studies to indicate where the ECGI was implemented and the impact it had on the respective countries' economy. The countries were reviewed through the four thematic areas which are on the macroeconomic management level, the public financial management level, on the banking supervision and services regulation level as well as the corporate governance level. The various institutions as well as Ghana, Kenya, Rwanda and South Africa were used as examples of the progress in terms of implementing the ECGI but as was

indicated, it is not all success. On the economic front it is determined that trends that have existed five years ago are being reversed. This can be seen in the management and policies of institutions above that have contributed to an increase in states and that show 5% or more growth rates. Various state-owned enterprises are currently engaged in supporting the NEPAD implementation, particularly ESKOM and institutions and businesses. The mandates of these institutions, like those of the DBSA, have been extended to allow for their involvement in continental projects (Draft Paper for Mid-Term Lekgotla, 2005: 3).

Through the above-mentioned examples one can deduce that a number of institutions and particularly NEPAD and the AU institutions promote economic as well as corporate governance. All four peer-reviewed countries received a fairly satisfactory report from the APRM Panel but it does not mean that it is still the case in the respective countries. This means that these four countries that have been peer reviewed, particularly in the areas of governance, are practicing better governance.



CHAPTER 5: CONCLUSION

1. INTRODUCTION

This chapter summarises the argument as developed in the previous four chapters and concludes that the ECGI is being implemented in certain cases but much more needs to be done to get all African countries on board. It was established that of the 53 NEPAD member states, only four countries have been peer reviewed at this stage, namely Ghana, Kenya, Rwanda and South Africa. Other African countries need to be brought on board as the voluntary basis countries used to enter into peer revision only had four countries accede to it at the time when this mini-thesis was written but reference was made to Mozambique, Benin and Algeria that were peer reviewed as well.

The first chapter outlined in broad terms the research question and how it would be answered. The researcher made use of mostly the NEPAD and AU documents, whereby facts, impressions and words were analysed in a descriptive, analytical, interpretative and evaluative manner. Data and information were gathered from the reports of Ghana, Kenya, Rwanda and South Africa as well as from general documentation on governance in line with the NEPAD documentation on economic and corporate governance.

The second chapter outlined the institutional context of the ECGI, stating the ECGI within the NEPAD as well as AU structures. It was indicated that the AU and NEPAD have overlapping priorities and are interlinked. The argument was made that NEPAD promotes good governance in African countries and this makes the ECGI a particularly important initiative.

Chapter 3 outlined the theoretical foundation of the ECGI by explaining the concept economic and corporate governance and clarifying how the ECGI forms part of NEPAD and how it ought to work. It also looked at the theoretical perspective of realism and liberalism.

Chapter 4 determined that the ECGI was indeed implemented in Ghana, Kenya, Rwanda and South Africa and suggested that the impact on their respective economic and corporate governance levels was positive although it was not the only factor that played a role. These countries' socio-economic development levels were to some extent praised by the APRM team in its country reports. Taking this factor into consideration, it was determined that even in these countries, more work needs to be done, as stated in the APRM recommendations. One very important aspect for future research is that more research needs to be done on the remaining member states of NEPAD. The effectiveness of NEPAD in establishing economic governance in other African states as well as future progress in Ghana, Kenya, Rwanda and South Africa can also be added as part of future research possibilities.

2. CHALLENGES NEPAD STILL FACES

Despite certain success stories, both the AU and NEPAD have a great deal of work ahead and Ghana, Kenya, Rwanda and South Africa still face certain challenges, such as the following:

- A lack of human, institutional and financial capacity needs to be overcome.
- Reform and transformation processes need to be strengthened and sustained.
- Understanding ownership needs to be promoted amongst African states and RECs.
- Stakeholders need to get more involved.
- The APRM process needs to be accelerated and expanded.
- The integration and alignment of NEPAD with national and regional development strategies need to be sped up.
- The 2015 MDGs need to be realised.
- The growing discrepancy between the rich and the absolute poor needs to be overcome.
- International promises and political commitments need to be converted to concrete action and not just a wish list of goals.

Stakeholders' needing to get more involved refers to the role stakeholders play in the success of NEPAD and its implementation. Through better co-operation and formulation of appropriate partnerships, much more can be done to accelerate the development of key infrastructure networks. The APRM can be accelerated and expanded by firstly looking at the voluntary nature of peer revision of countries. The mechanism should try and change its voluntary nature by requesting countries to agree to a contract or understanding that would hold them accountable if they are not peer reviewed. The MDGs that need to be met, which include overcoming the discrepancy between rich and poor, are very challenging and might not be realistic, and this is definitely a major weakness of NEPAD.

3. SUMMARY OF MAIN ARGUMENTS

Throughout the thesis the most significant aspect that emerged was that good governance is pivotal for economic development in a country as it was outlined through the influence it had on the investment climate of the peer reviewed countries which were Ghana, Kenya, Rwanda and South Africa. Even if NEPAD has not been accepted unequivocally by all African leaders, civil society and certain movements in Africa, the need for effective leadership and governance in each state is emphasised and it is shown as important for sustainable development on the continent. This thesis contributes towards an understanding of the role governance plays within NEPAD and its adoption as the developmental framework of choice by African leaders, in conjunction with the AU.

In the thesis it transpired that the APRM is a good measurement for establishing which countries practise good governance and have implemented the ECGI as the ECGI scrutinises governance on all possible levels. Ghana, Kenya, Rwanda and South Africa improved on their levels of socio-economic development because both their economic governance levels and corporate governance levels received positive feedback, as was stated in their individual APRM reports. The role of the ECGI was not the only reason for the improved levels of socio-economic development as aid played a role in Ghana's improvement. Higher global commodity prices, which provide exporting countries with more income, played a role as well. The ECGI is a significant part of NEPAD and

therefore its implementation tells one whether NEPAD is being taken seriously on the continent.

Ghana, Kenya, Rwanda and South Africa make good examples of the role that state policy played in promoting the ECGI and can be used as an inspiration for getting other AU member states on board. Despite the fact that NEPAD has only been in existence from 2001, it is possible to track definite progress. The conditions for development that are enunciated by NEPAD are being addressed as was indicated throughout the thesis and especially in the countries that were peer reviewed. The corporate sector has been crucial in the development of South Africa, particularly in the light of the political transformation.

Good governance together with democracy and the promotion of human rights is slowly becoming the norm around Africa. There was an increase in countries with sound macroeconomic planning, policies and management and economic growth rates. These countries are driving the development agenda, and the South African business community in Africa further illustrates the point with South Africa being the biggest investor in Africa. This trend illustrates the redefining of international partnerships with Africa, such as the formation of the Africa Partnership Forum (a forum strengthening partnerships across regions), and the nature of dialogue that has developed over the years. There is an unprecedented focus on Africa today with new resources being mobilised and existing attributes improving and expanding African abilities.

After Ghana implemented the ECGI they focussed on a number of things in the country and it can be concluded that because they focussed on removing restrictions on the establishment of companies and establishing the Commercial Chamber and Arbitration Centre to deal with commercial disputes, including tax issues, it improved the governance in the country. They established the Office of the Ombudsman to deal with issues of corruption and misappropriation of public goods, enhancing transparency in public institutions, strengthening the judiciary and reforming judicial processes to ensure accountability and the protection of property rights and enforcement of contracts. Putting in place clear rules and regulations on privatisation, trade and investment and giving

more voice to the private sector has encouraged more participation in and ownership of the mode of operation, taking governance as the foundation (COMESA Summit, 2004: 1).

Kenya was also a good example of indicating that the implementation of the ECGI has a positive effect on the country's FDI, the regulation of services and other financial contracts. It was determined that corporations did well in the country both on the foreign and local level but there are still changes that need to be made. This is also another example of the ECGI that can be used as a good indicator of whether the whole of the NEPAD is being implemented. Again it should be reiterated that because governance is at the core of all initiatives, the ECGI is a good example of governance that is implemented on all levels, regionally and nationally.

Rwanda is the one example where the president of the country was very involved in the implementation of governance in the country's various institutions. Through tax incentives and outreach the government welcomed and really encouraged foreign investment. Because of the governance and cognisance given to FDI, Rwanda reported that foreign investors never really declined to invest due to differing treatments of local or foreign companies. Foreign investors can acquire real estate but there is a general limit on land ownership but in terms of economic and corporate governance the systems put in place made significant difference on macroeconomic level, through financial services regulation and public financial management as was indicated on these levels.

In South Africa improved economic performance, coupled with the advent of democratic, people-centred governance, has enabled hitherto unfathomable improvement in people's material and social conditions. The widespread availability of social services and grants has resulted in the reduction of absolute poverty although the household income has not changed and people are still very poor. Ultimately, achieving the national objective of broad-based growth and development will invariably require policy measures for tackling the pervasive distortions in all factor markets. The unfinished agenda of structural reforms leaves South Africa at a disadvantage in an increasingly competitive global environment (Country review report of South Africa, 2007: 28; AU, 2008: 5). To

conclude, South African law provides for prosecution of government officials who solicited or accepted bribes. Penalties for offering or accepting bribes include criminal prosecution, fines, dismissal (for government employees) and deportation (for foreign citizens).

The ECGI is a good indicator of whether a dimension of NEPAD, which is governance, is being implemented in Africa in the four countries that were peer reviewed. The researcher first asked what NEPAD is by outlining its foundation and established that NEPAD created categories of conditions for sustainable development, prioritising sectors and mobilising resources. The ECGI forms part of the initiative to create conditions for sustainable development. The theoretical and conceptual framework stated that economic governance revolves around the state being the main actor and corporate governance that involves businesses. This allowed an analysis of the ECGI's implementation in Ghana, Kenya, Rwanda and South Africa by looking at these countries' APRM reports. As was indicated, this research sets a basis for further research. Further research can be done every five years to track the progress of the four countries that were peer reviewed to see whether they keep to their promises on good governance. Research can also be done in the remaining countries that have since been peer reviewed. The remaining AU countries still need to be explored and the loopholes need to be identified in the ECGI implementation. The mini-thesis looked at one feature of the sustainable development that NEPAD strives for, namely economic and corporate governance. NEPAD is an ambitious programme and the ECGI is an important element for economic development on a continent that has suffered colonialism and Cold War rivalry in the past.

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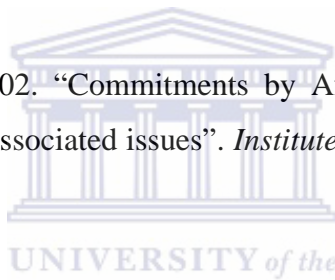
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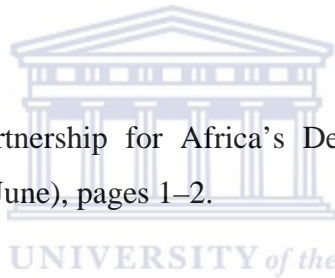
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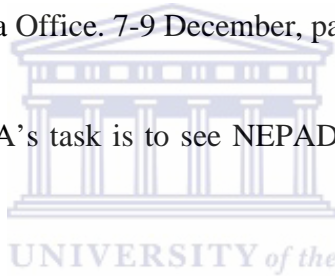
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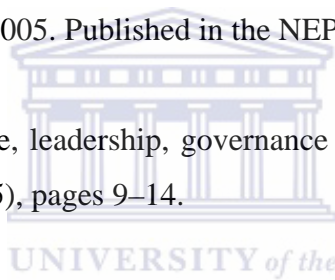
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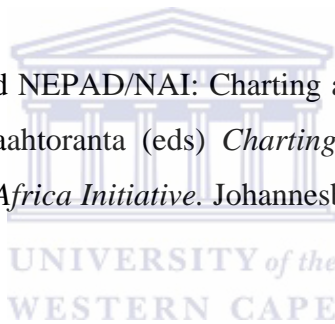
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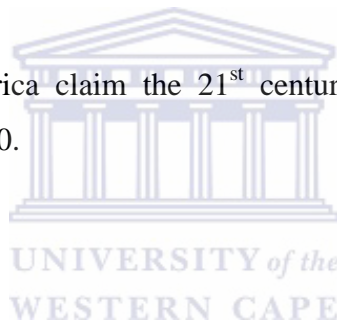
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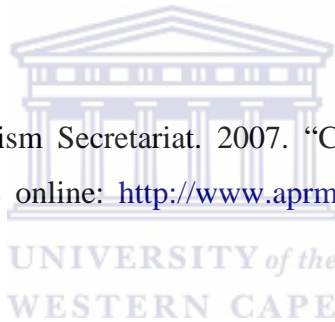
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