The Role of the State in Development in the SADC Region: Does NEPAD Provide a New Paradigm?

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Abstract

Academic discourse and development policy debates have grappled with the contentious issue of the state-market interactions in Africa's development agenda and process, particularly since the 1960s independence era. At the heart of this debate has been the contestation over agency for development: what is the key locomotive or engine of development. Two contrasting positions have emerged in this debate. One propounded mainly by the nationalist political elite, and couched in terms of economic nationalism, maintained that the state should play a central role in directing the development agenda. This strand of development thinking, thus, opted for a dirigiste development path, which has not really succeeded in Africa in general and Southern Africa in particular. The other position, which has been driven mainly by foreign capital and industrialized nations propounded a neo-liberal orthodoxy giving, as it were, pride of place to a market-based economic system in tune with economic liberalization. Since the World Bank report of 1997, there has been some considerable amount of convergence between these contrasting paradigms and some amount of consensus in the debate that state and markets are not necessarily in competition, but rather complementary agents of development. This article revisits this debate and critically interrogates the extent to which the New Partnership for Africa's Development (NEPAD) presents a new paradigm in development thinking in the African continent. The principal thesis of the article is that states and markets should not be perceived as polar opposites in the development process, but rather as complementary agents of economic advancement.

Introduction

The role of the state in development has become one of the most hotly contested policy issues of the post-colonial era in the African continent in general and Southern Africa in particular. Although the controversy around which agency is more central in driving the development process between state and markets still rages, it is evident that since the 1980s through to the 1990s, dominant foreign actors, especially the Bretton Woods institutions have imposed their policies over the nationalist political elite, charting Africa's development path. This has had dire consequences for both political sovereignty and autonomous economic initiatives. No other country in the Southern African region provides such a vivid example of this contradiction between imperialist hegemony and national sovereignty as Zimbabwe does today (See Matlosa, 2002).

To be sure, the Southern African region, like most other parts of the African continent has, since the 1960s, witnessed a contestation or confusion (to borrow Ake's term) of development agendas, namely, the nationalist agenda of an autonomous development path anchored upon a derigiste *economic nationalism* in ideological terms on the one hand, and the Bretton Woods institutions propounding a neo-liberal economic adjustment programme premised upon *free market enterprise* in ideological terms (Mengisteab and Logan, 1995). The former development strategy has been and still is deliberately state-centric and encourages state interventionism in economic management. The latter has evolved as a market-driven development strategy, and as such, deliberately set out to *roll back the state*. Some convergence of the two development paradigms was experienced in 1997 when following an avalanche of criticism of the neo-liberal orthodoxy, the World Bank began to accept and appreciate the key role of the state in the economic development process. Does it mean that at long last we have now reached a consensus in terms of the complementarity of states and markets in the development process in Africa as a whole and Southern Africa in particular? This paper concentrates on this key question and focuses discussion on the Southern African region. It interrogates this question in relation to the form and content of the NEPAD initiative and relates this to the recent World Bank initiative encapsulated in the report "Can Africa Claim the 21st Century?"

The Southern Africa region is still confronted with a plethora of enormous development challenges, which have not been resolved since the early 1980s. The Lagos Plan of Action, the UNECA proposals for an alternative development agenda and the structural adjustment in the late 1980s have not achieved the intended results, as the continent has virtually nothing to show for all these efforts in terms of economic progress and regional integration. These have and are, arguably, development projects driven primarily by the nationalist political elite aimed at charting some autonomous development vision and destiny for the continent (see a detailed appraisal of these initiative in Ake, 1996). However, part of the failure of the nationalist and state-driven development models was the resistance from the donor community and disapproval of such by the Bretton Woods institutions who jointly devised alternative development strategies such as the early 1980s Berg Report, through the late 1980s reports up to the current World Bank report on "Can Africa Claim the 21st Century". In these competing development agendas, there is no doubt that the nationalist agenda has lost to Bretton Woods and the Washington consensus (See Ake, 1996; Mengisteab and Logan, 1995). Ake aptly captures this dilemma that faces Africa as a whole and Southern Africa specifically as follows:

> *Nowhere is the conflict more evident than in the rift between the Bretton Woods institutions and African governments over approaches to Africa's development. Even though individual African states seemed content to surrender the development agenda to external development agencies, they did grope collectively, under the auspices of the Organisation of African Unity (OAU) towards a vision of how to proceed (1996:21).*

It is the contention of this paper that even today, in the context of accelerated and enhanced globalisation, World Bank initiatives will continue to dominate and take precedence over autonomous development initiatives by the nationalist political elite in Africa. The interrelationships and complementarities between the NEPAD and the World Bank document on "Can Africa Claim the 21st Century" is a good case in point.

The paper is divided into four sections. Section one introduces the contestation between the dirigiste state and economic adjustments. In the process both positions of the economic nationalism and economic adjustment are presented. Section two discusses the "State and Development in the SADC Region between 1960s and 1990s", which traces various development paradigms, particularly the Lagos Plan of Action, the African Priority Programme for Economic Recovery (APPER), the United Nations Programme of Action for African Economic Recovery (UNPAAER), the World Bank initiatives and the New Partnership for Africa's Development (NEPAD). The third section discusses the policy challenges for the SADC region within the context of NEPAD. Finally, section three of the paper concludes by raising the main arguments on the role of the state in development.

State and Development in the Southern Africa Development Community (SADC) Region (1960s – 1990s)

The state-development nexus still presents a key policy challenge for the SADC region today, much the same way as it does for the African continent in general (Mkandawire and Olukoshi, 1995; Mkandawire and Soludo, 1999). The first key question to pose from the onset is what exactly is the state? Definitions of the concept 'state' are probably as many as there are writers and experts on this subject. This suggests that the conceptualizations and explanations of the role and nature of the state in Africa in general and Southern Africa in particular are many and varied and have indeed generated an enormous amount of debate and controversy. Be that as it may, for the purpose of this article a working definition of a state will be drawn from two main sources namely Chazan et al and Africa's most renowned social scientist, the late Claude Ake. For Chazan et al, the state is:

> *The organized aggregate of relatively permanent institutions of governance…. It is seen as a set of associations and agencies claiming control over defined territories and their populations. The main components of the state are, consequently, decision-making structures (executives, parties and parliaments), decision-enforcing institutions (bureaucracies, parastatal organizations and security forces) and decision-mediating bodies (primary courts, tribunals and investigatory commissions). The character of the state in any particular country is determined by the pattern of arganisation of these institutions at specific points in time* (1992:39).

This definition is useful in that it perceives of the state as a permanent institution charged with running the affairs of a country, and as such, suggests to us that a state is inextricably intertwined, albeit not synonymous, with a government or a *regime.* Whereas a state represents permanent institutions of governance, a government or *regime* refers to officers and systems/rules that drive the governance process on a day-to-day basis. These officers and systems/rules are ephemeral and not permanent for they come and go with changes of governments over time normally through periodic elections. This distinction is extremely important for our purposes in this article. Ake's definition of the state is rather more sophisticated than the one by Chazan et al above, yet the two seem to be complementary.

According to Ake:

> *The state is a specific modality of class domination, one in which class domination is mediated by commodity exchange so that the system of institutional mechanisms of domination is differentiated and dissociated from the ruling class and even the society and appears as an objective force standing alongside society. The state form of domination is the modality in which the system of mechanisms of class domination is autonomized, that is, the institutional apparatus of class domination is largely independent of social classes, including the hegemonic social class* (in Nnoli, 2000:57).

The two definitions provide us with a clear understanding of what constitutes the state and its nature and role in post-colonial Africa. Whereas Chazan et al define the state from an institutional-functionalist perspective, Claude Ake sees the state through the lenses of the political economy perspective that perceives the state in class terms.

It is thus within this context that we are therefore better positioned to investigate the role of the state in development. Controversy has raged over the years between the 1960s and 1990s regarding the role of the state in economic development in Africa in general and Southern Africa in particular. Although to a considerable degree the tenacity of the ideological contestation on the state-development nexus has subsided today, debate on the balance between state and markets, as critical agencies for development, still rages (World Bank, 1997; Kayizzi, 1998). Throughout the three decades with which this paper is concerned, the development agenda and process in the SADC region has been driven principally by market forces, although our contention is that the state still remains a key factor for development in Southern Africa even under the conditions of a free enterprise economic system. This stark reality remains despite years of experimentation with market-led economic adjustment programmes in the region (Mwanza, 1992).

It is worth noting that following political independence, the majority of Southern African states followed a deliberate development strategy premised on *dirigism* and tending ideologically towards economic nationalism. Why was the state so purposefully interventionist in those early days of post-colonial Southern Africa? The answer to this question is found, in part, in the factors that Mengisteab provides in relation to state interventionism in Africa. These are:

- The weak linkages between the large peasant sector and the small modern sector, which limit the domestic market and the benefits from external economies;
- The inability of the private sector to generate sufficient capital to enter certain industries and public services that are regarded as essential to national development;
- The more difficult international competition they face as newcomers to industrialization;
- The domination of the modern private sector by foreign concerns, which is perceived as hampering economic independence; and

- The high population growth that undermines their economies and threatens their political systems (1995:165).

For both Mengisteab and Ake, the politico-economic environment at independence propelled state interventionism in Africa, which was profoundly hostile to development. Hence the conflicting development agendas between the nationalist political elite, which enjoyed some modicum of political power, yet, lacked an autonomous economic base, and foreign capital with massive political power and economic leverage over the African state. Ake (1996), thus, argues that the state appeared to have made token gestures towards development while trying to pass the responsibility for development on to foreign patrons. This is reflected by the manner in which most nationalist elites eagerly and whole heartedly embraced economic dependence despite being eloquent on the fragility of political independence and the need to buttress it by being self-reliant. This shows that development, as an ideology, serves the interests of powerful foreign capital, and secondarily those of the dominant hegemonic class (to borrow Ake's concept) within Africa. It is this situation where the foreign powers through their financial support to development paradigms continue to dictate the pace of development, which alienates and isolates the state in the economy.

Many African states relied heavily on expatriates, who subsequently produced development plans whose policies, programs and targets took for granted the inherited economic structure of their respective countries. In Southern Africa, most post-colonial states depended on expatriates for the formulation of national development plans that usually ran from five to fifteen years. At the same time, donors financially supported these development plans. This was the case with Tanzania, whose first phase of its ambitious 15-year development plan was supported by external powers to the tune of US$222,2 million against US$53 million sourced domestically (Ake, 1996). In Zambia, the ratio of expatriates (mostly macro-economists) to national experts at the National Commission for Development Planning in 1975 was 21 to 4 (Ake, 1996). The above explains why economic nationalism remained heavily at the center of development in the continent. Although they allowed foreign resources to complement their own mission and effort, nationalists remained focused and central to the development process in the continent.

The continued discomfort of Western influence upon the continent's development paradigm through their resources, forced African ruling elites to adopt the Lagos Plan of Action in 1980. The plan not only discusses the role of the state in development in the context of a deepening economic crisis, but also provides the framework through which nationalist elites continue to engage foreign powers on issues of exploitation arising from colonialism to apartheid. The plan emphasizes self-reliance and self-sustaining growth although states acknowledge their vulnerability to external forces. The Lagos Plan lays emphasis on self-reliance and aims to change the pattern of production from primary commodity to manufactured goods. Economic nationalism is designed to stimulate production through promoting internal demand and reducing reliance on imported inputs. Meanwhile, the World Bank produced another development model through its Agenda for Action (1981), which focuses on eradication of internal constraints to agricultural production, which include underdeveloped human resources, and adverse climate conditions. As is typical of neo-liberalism, the model emphasizes dynamism and efficiency of marketism, specialization in primary production and more effective use of public sector resources. This is despite the continued falling of commodity prices and the increase in the debt burden.

The above shows why the Bretton Woods institutions differ from the Lagos Plan, hence the refusal to reorient their economic relations with the African initiatives so as to adjust to the programs and policies of the plan. The neo-liberals realized that the nationalist elites were too weak to implement their own development models without financial backup from the multilateral and bilateral institutions. This notion was reflected in rising infant mortality, food dependence and malnutrition, which threatened over 100 million people in Africa (Ake, 1996). At the same time between 65 to 80% of the continent's population live below the poverty datum line while per capita incomes continue to fall.

The developmental paradigm debate continued with African ruling elites adopting the "Africa's Priority Program for Economic Recovery (APPER) (1980-90) which was not only rooted in the Lagos Plan of Action of 1980, but also aimed at radically changing the production and consumption patterns of the continent, enhancing socio-economic transformation; accelerating economic growth and development; and intensifying regional economic integration and cooperation. However, APPER was preoccupied with identifying and correcting policy errors of the past while encouraging free market forces (Ake, 1996). The focus of the development paradigm was to remove identifiable constraints from the economies of the continent though policies such as better prices for the agricultural products, provision of extension services and infrastructures. However, many nationalist rulers in Africa succumbed to the impact of colonialism and conditional assistance while foreign powers blamed African crisis on corruption and mismanagement of the economy.

The Bretton Woods institutions soon introduced the economic adjustment model of development that was uniformly implemented across the continent regardless of the prevailing conditions. The structural adjustment programmes insisted on austerity measures, based on market forces. Like previous neo-liberal models, SAPs would ensure that the continent remained the supplier of primary commodities to the global market while importing manufactured products from other regions. The programme was widely and uniformly adopted in Africa in a manner suggesting that the IMF/World Bank medicine was suitable for all African states despite their very different economic ills. Ake argues that the ruling elites, whose economies were in danger of collapse, feared the hostility of the industrialized nations, which insisted that SAPs are the only way out of the prevailing economic crisis. The Bretton Woods institutions argued that development would occur faster if marketism assumed a central role in the economy. Subsequently, the state was forced to restructure its enterprise (state-owned-enterprise) and rationalize its operations. The state thus became a facilitator in the development process. As the economic conditions of Africa remained unresolved, other international organizations such as UNICEF, UNDP and UNECA criticized SAPs for lacking a human face. If anything, SAPs have a human mask and not human face surely.

As Ake argues, UNECA (1989) was responsible for designing an alternative development model to the SAPs. The Africa development model was called "Africa Alternative Framework to SAPs for Socio-Economic Recovery and Transformation", which rejected the economic adjustment measures articulated by the neo-liberal school of thought, such as drastic currency devaluations which are associated with rising inflation, a high cost of imported inputs, capital flight and the entrenchment of traditional exports; import liberalization which exposes endogenous industries to foreign competition; too much dependence on external resources; and free market enterprises which distort national priorities.

UNECA also suggested selective subsidies and price incentives as well as advocating for increased supply of essential commodities to support welfare and development. The above illustrates how economic nationalism became central to Africa, especially during the early years of self-determination. However, lack of domestic resources inhibited this initiative. In fact, African ruling elites are known to talk about self-reliance while abrogating the responsibility of mobilizing resources to foreign powers.

Meanwhile, market intervention became dominant in the continent largely because of the manner in which the global forces were able to mobilize resources to support its implementation. Most African states have balance of payment difficulties, while the donor community finances a significant proportion of their budget. Zambia, Mozambique and Zimbabwe continue to experience economic crisis, largely characterized by rising poverty, huge debt burdens, declining export performance as well as socio-economic disharmony. As a result, African states, particularly those in Southern Africa, became vulnerable to Western driven ideologies and grandiose economic reforms. While some leaders might appear to strongly resist economic adjustment, particularly as it exposes the state to the electorate, they remain silent on the strengths of readily available resources.

Meanwhile, seven countries in Southern Africa, namely, Malawi, Mauritius, Mozambique, Lesotho, Tanzania, Swaziland, Zambia and Zimbabwe adopted Bretton Woods sponsored economic adjustment programmes with harsh conditionalities. For instance, the IMF/WB institutions wanted to influence the foreign policies of recipient countries in terms of who they should associate with, they linked external assistance disbursement to fiscal deficits, and fiscal allocations to the public sector, as well as emphasising such values as the rule of law, good governance, democratization and transparency. In some instances, country-donor relations became increasingly sour, thereby forcing donors to cut and/or withhold aid. Some SADC member-states namely Botswana, South Africa and Namibia adopted home-grown neo-liberal development models without recourse to the IMF/WB imposed economic adjustment. However, despite these countries' pursuit of marketism, the level of development still remains relatively low. It can therefore be argued that development in the region in a situation of minimal state intervention remains low when compared to the era of economic nationalism, which seems to have recorded higher levels of social development. This therefore raises the question of what development trajectory each one of the SADC member states should follow vis-à-vis the central problem of weak state intervention against the backdrop of continued socio-economic crisis. Meanwhile the pursuit of "fiscal discipline", retrenchment of the state from the market and privatization policies, which seek to open up markets for capitalism augurs well for the triumph of global capitalism.

A sight shift in policy was noticed in 1997 when the World Bank began to de-emphasise marketism as the driving force for development. The World Bank Report (1997) sees the state as being central to economic and social development, not as a direct provider of growth, but as a partner, catalyst and facilitator to development. This view is largely influenced by the success of the state's role in the "miracle" economies of East Asia where the rules and institutions allow markets to flourish while people's lives substantially improve. Indeed, in the continent, post-colonial governments have helped to deliver substantial improvements in education and health as well as reducing social inequality. This is the same position that has been maintained in a recent World Bank report entitled "Can Africa Claim the 21st Century" which is advocating for an assertive leadership that complements the role of market forces in development. The same state should subscribe to the global notions of good governance, rule of law, transparency and democratization, which invariably facilitate the participation of capitalism in the economy.

The New Partnership for Africa's Development (NEPAD) evolved on the basis of a quest for a Pan-African path of development initiated first by a few African leaders and later endorsed and adopted by the OAU/AU. Although NEPAD diagnoses Africa's economic malaise in part, as a result of colonial underdevelopment, globalisation and structural adjustment programmes, the irony is that the programme looks up to the Western industrialized world through aid, trade and investment flows for a panacea to continent's underdevelopment. For instance, the African leaders proclaim that NEPAD is a call for a new relationship of partnership between Africa and the international community, especially the highly industrialized countries, to overcome the development chasm that has widened over the centuries of unequal relations" (NEPAD, 2001:2). Furthermore, although NEPAD seems to embrace a market-driven economic development path, the programme is rather ambiguous on the role of the State in the development process.

Policy Challenges posed by NEPAD for the SADC Region

The New Partnership for Africa's Development (NEPAD) document of October 2001 recognizes past attempts to set out continent-wide developments programme, which have generally been less than successful. This development model is a product of the OMEGA plan initiated by President Abdoulaye Wade of Senegal and the African Renaissance project by President Thabo Mbeki of South Africa, which sought to reposition Africa in the global economy. The two leaders, together with President Olusegun Obasanjo of Nigeria and President Abdelaziz Bouteflika of Algeria are the main driving force of NEPAD. This plan has the approval of the OAU Heads of State and Government to whom it is accountable through regular summits. Technical support would come from the African Development Bank (ADB), the Economic Commission for Africa (ECA), the African Capacity Building Foundation (ACBF) and the Development Bank of South Africa (DBSA) (Mandaza, 2002).

The NEPAD plan seeks to provide an impetus to the continent's development, and specific conditions have been laid down to ensure successful implementation. The African leaders who have pledged to work both individually and collectively to ensure successful implementation reflect the commitment to the plan. To this end, the leaders seek to:

- promote peace and security on the continent through sharing of experiences and mobilization of collective action;
- undertakes to respect global standards of democracy whose key component include political pluralism, democratic elections, transparency, respect of human rights and the promotion of rule of law;
- promote conditions for economic growth and development leading to poverty reduction;
- promote intra-African trade and investment as well as regional development through the harmonization of economic and investment policies; and
- mobilise the continent's resources to support this plan, which will enhance regional development and economic integration on the continent. This will ultimately create opportunities for the content to diversify production while adding value to its products. This process will therefore improve the international competitiveness of the continent's products on the global market.

The NEPAD initiative is primarily anchored on the assumption by African leaders that the three (3) key preconditions for sustainable development are:

- Peace, security, democracy and political governance;
- Economic and corporate governance with a focus on public finance management; and
- Regional cooperation and integration.

The priority sectors identified for Africa's sustainable development are:

- infrastructure;
- information and communications technology;
- Human development with focus on health, education skills development and reversal of brain drain;
- Agriculture and Natural Resources Management;
- industrialisation to promote exports and economic diversification.

Having identified the preconditions for development and sectoral priorities, the key challenge for NEPAD is the resource mobilisation for the realisation of its developmental vision for Africa. The resource mobilisation strategy is defined by the African leaders besides increasing domestic resource endowment, the continent needs debt relief, increased aid flows, increased private capital flows and international markets access. Thus far more focus on the NEPAD initiative has been on the mobilisation of external resources especially ODA from the Western industrialized countries – a strategy which certainly deepens rather than curtails the continent's long-entrenched dependency syndrome.

NEPAD is an ambitious programme designed to facilitate African's development through both state intervention and market forces. It reflects the desire of African leaders to extricate the continent from poverty and underdevelopment on the basis of a common vision and firm and shared conviction with the support of the industrialized countries. As discussed above, the leaders both individually and collectively have the desire to achieve a sustainable growth and development path for the continent.

Thus, serious commitment from the continental leadership and massive injection of investments from the richer nations would provide the impetus for growth and development. NEPAD has therefore the following as its main goals:

- To achieve and sustain an average economic growth rate of 7% per annum for the next 15 years;
- To reduce absolute poverty between 1990 and 2015 by half;
- To reduce gender disparities in the enrolment of primary and secondary education by 2005;
- To reduce infant and child mortality ratios by two-thirds between 1990 and 2015;
- To ensure the availability of reproductive health services by 2015; and
- To implement sustainable national development strategies by 2005 so as to reverse the loss of environmental resources by 2015.

This development model needs US$64 billion a year, which is currently more than four times the value of aid to Africa in 1999 and seven times the flow of foreign direct investment (FDI). The plan thus depends almost entirely for its take-off on the financial, economic and even the political support of the richer nations (Mandaza, 2002). This also suggests a trade-off in which Africa is expected to conform to the programme of globalization in exchange for the flow of resources from the international community.

The plan has noted that post-colonial Africa inherited weak and dysfunctional states, a situation which is further aggravated by poor leadership, corruption and bad governance. The era of economic reforms further weakened the capacity of the state since the economic adjustment agenda focused primarily on minimal state intervention in the economy. Efforts to empower indigenous people through equitable resource distribution have met with resistance from multinational forces. A good example is Zimbabwe, where land redistribution has not only attracted vehement criticism from international capital, but also exposed the failure to adequately empower its citizens to take charge of the country's resources and economy. It has now become the trend in Southern Africa that each time a regime focuses on equitable distribution of resources, they face resistance from global capitalism. In the past, pressure was exerted on former President Kenneth Kaunda of Zambia, former President Julius Nyerere of Tanzania and recently, President Robert Mugabe of Zimbabwe. Studies have shown the immense interest of global capital in the region, including such activities as financing armed conflicts in both Angola and the Democratic Republic of the Congo (DRC). Therefore, NEPAD, as a new developmental paradigm should ensure a more meaningful role of the sate in development as complementary to free market forces. The development paradigm, with or without resources, should ensure that the dirigiste development path is restored and pursued in the region in a market friendly economic environment.

NEPAD is based on empowerment and self-reliance. In this context, the region through meaningful state intervention in the economy may broaden the ownership base of the regions' means of production. It is argued in this paper that small- to medium-sized enterprises are ideal for ensuring improved welfare of the population. History has shown that high reliance on large, but few conglomerates such as the transnational corporations and multinational companies tends to compromise the role of the state in development as well as exposing economies to external shocks once states opt to redress the ownership structure of the economy. This has been evidenced when states have failed to alter the inherited pattern of resource distribution, which are in favour of capitalism. In this case, strong states would not only facilitate socio-economic development in the form of infrastructural provision and social service delivery, but also instil confidence and self-reliance in its citizens.

Southern African economies have serious structural impediments such as limited external resource flows and declining terms of trade, which in turn hinder development as well as effective mobilization and utilization of scarce resources. The much-vaunted external flows of resources into the regional economies through foreign direct investment, trade receipts, external support and debt relief have not been realized. This is more so in those countries that have been under the support of the Bretton Woods Institutions. The failure therefore to realize significant flows of external resources in an environment characterized by free market forces does not augur well for economic adjustment programmes that are based on external financial resources. In this context, NEPAD, just like other previous programmes may fail to live up to expectations. This shows that the NEPAD initiative does not necessarily present an alternative development paradigm from previous models and initiatives in support of the Africa's developmental agenda.

One of the goals of NEPAD is that development in Africa would be sustained by a high average economic growth rate of 7% per annum for the next 15 years. Over the same period, about US$64 billion would be sourced from the developed countries. There is a possibility that like the economic reforms, which were wholly supported by the Bretton Woods Institutions, NEPAD may only be selectively implemented in Africa. Already, Southern Africa presents an illustrative case in which foreign driven development strategies benefit only selected member states. This was the case with the United States Africa Growth and Opportunity Act (AGOA), which excluded Angola, the DRC, Swaziland and Zimbabwe. Similarly, the decision by the Western countries to impose 'targeted' sanctions against Zimbabwe also amounts to exclusion. This will serve not only to fragment the economies of the region, but more importantly will compromise regional integration. It has therefore serious implications for autonomous development of the continent and is likely to worsen the already severe economic crisis.

Ake (cit, in Tandon, 2000) argues that globalization is the march of capital all over the world in search of consumers and markets. It is this philosophy that the WB and the IMF have adopted and used to demonise the post-colonial state in spite of evidence of successful development and transformation after independence, and failures of economic reforms in the sub-region and beyond. Throughout the region, market reforms have failed to develop the productive sectors and thus contributed to the demise of industrialization strategies. Despite embracing economic reforms, the sub-regional industrial base has remained narrow, leading to limited export performance largely characterized by mono-commodities. Table 1 illustrates the heavy dependence of Southern African economies on primary export commodities that are also facing limited markets dominated by the European Union (EU). For instance, as table 1 vividly illustrates, such countries as Botswana, Malawi, the DRC and Zambia rely heavily on diamonds (79%), tobacco (62%), diamonds (58%) and copper (50%), respectively for the generation of export earnings. The same table also shows that the sub-regional countries export similar commodities, dominated by such products as copper, diamonds, tobacco, coffee, fish, tea and prawns. Other countries also generate significant foreign currency from their primary commodities. The key challenge for NEPAD, therefore, is the extent to which it will transform Africa's enclave and dependent economies through diversification of the economic base and industrialisation.

Table 1: Commodity dependency of selected Southern African countries

Country	Year	Individual Commodities as a % of total export earnings	Destination of products
Angola	1999	Diamonds, 12.0	EU; USA; China
Botswana	1999	Diamonds, 79.0	EFTA; EU
DRC	1999	Diamonds, 58.0	EU; USA
Malawi	1999	Tobacco, 62.0 Tea, 9.0	EU; South Africa; USA
Mozambique	1998	Prawns, 25.9	South Africa; Zimbabwe; EU
Namibia	2000	Diamonds, 48.0 Fish, 25.0	EU; South Africa
Tanzania	2000	Coffee, 13.0 Cashew nuts (unprocessed), 13.0	EU; India
Zimbabwe	2000	Tobacco, 15.9	EU; South Africa
Zambia	1999	Copper, 50.0 Cobalt, 14.0	EU; South Africa

Source: calculated from EIU various reports

Meanwhile, most local and regional firms have failed to compete with global producers. Even the adoption of donor sponsored visions such as 2020 (Zimbabwe), 2016 (Botswana) and 2020 (Lesotho), supported by global forces failed to stimulate the level of industrialization in a number of SADC countries. As a result, the region has remained a marginal player in the global economy, justifying the need for a new alternative model of development.

As argued above, declining terms of trade and huge debt force many countries to allow market intervention. Studies have shown that the external debt crisis that emerged in the 1980s has worsened, and as such, calls for an appropriate development strategy for the region (Killick and Martin, 1989). At the same time, countries are not only failing to penetrate foreign markets and harness significant flows of foreign direct investments, but are also carrying a huge debt burden that hinder economic growth and development (See Table 2).

Table 2: Foreign direct investment flows and debt of selected countries in Southern Africa, 1999

Country	Total external debt (US$ million)	Total debt service as % of GNI	Total debt service as % of exports of goods and services	Net FDI flows as % of GDP
Angola	10 871	38.6	21.1	28.9
Botswana	462	1.5	2.4	0.6
Lesotho	686	4.6	9.4	18.7
Malawi	2 751	3.9	11.4	3.3
Mauritius	2 464	6.3	9.7	-
Mozambique	6 959	3.3	20.0	9.7
South Africa	24 158	3.8	13.9	1.0
Tanzania	7 967	2.2	15.6	2.1
Zambia	5 853	14.6	46.6	5.2
Zimbabwe	4 666	12.3	25.3	1.1

Source: World Development Indicators, 2001
Note: - means figure not available

As shown in Table 2, countries such as Zambia, Zimbabwe, Angola, Mozambique, Tanzania, South Africa and Malawi have huge debt problems that are consuming 46.6, 25.3, 21.1, 20.0, 15.6, 13.9 and 11.4%, respectively of total receipts from their limited export of goods and services. Indeed, some of these countries, particularly Malawi and Zambia, are so poor that the debt burden is not only retarding economic growth and development, but has also become economically exhausting and unsustainable, politically destabilizing and ethically unacceptable. As a result, an initiative to cancel the huge debt that is no longer sustainable in such countries as Malawi, Mozambique, Tanzania and Zambia, in order to facilitate socio-economic development is not bearing fruit. The same countries also rely on one main export product as shown in Table 1 above. This not only illustrates the vulnerability of the countries to global forces and their failure to diversify from the traditional unprocessed exportable products, but also the extent to which development is affected, especially after the demise of economic nationalism.

Although the economic decline can be traced right from the pre-independence era to the era of economic nationalism, the failure to turn around the fortunes of the economy through economic reform programmes and policies also hinges on the failure to implement meaningful debt elimination strategies.

The highly indebted poor countries (HIPC) initiative has its own conditions, which have to be fulfilled by any prospective country before qualifying for the scheme. For example, Mozambique was forced to open up its cashew nut industry by sending raw nuts abroad for processing. This is despite the presence of a local processing plant. As a result, the country is now fetching lower prices from its cashew nuts while thousands of Mozambican workers are losing their jobs as the industry shrinks. According to Jubilee 2000, Zambia will be paying substantially more to IMF/WB and other creditors between 2001 and 2005 than before (See Table 4). It is also reported that Tanzania, which owes foreign donors about US$7 billion, will be paying US$150 million a year compared to the US$87 million spent on health in the 1999 budget. All these show the limitations of the HIPC initiative in respect of reducing the impact of foreign debt. Olukoshi (1999), identifies other deficiencies of the HIPC initiative as follows:

- a higher eligibility threshold that has completely excluded many poor countries from consideration, despite having a clear need for debt relief;
- forcing the eligible countries to adhere to an IMF adjustment programme for up to 6 years before actually getting debt relief;
- eligible countries, even after reaching the completion point, are still liable to experience unnecessary delays in getting debt relief because most of the powerful creditor nations and institutions want to limit their own costs as much as possible. For example, Bolivia and Uganda experienced a one-year delay whose cost was estimated at US$241 and US$193 million, respectively;
- linking eligibility to a good track record with the IMF, whose programme and policies have failed to improve the economic performance in the continent is rather too rigid;
- linking debt sustainability to levels of export receipts while giving too little emphasis to the social and human development such as education, health and poverty reduction;
- failure to link debt sustainability to net exports (that is, export minus necessary imports) as opposed to gross export receipts;
- failure to link debt sustainability to expenditures on social development;
- continued servicing of debt at unsustainable levels which in turn undermine development priorities and needs of eligible countries; and
- HIPC, though well intentioned, delays the decision to cancel the debt of the poorest countries.

All the above weaknesses of the HIPC initiative show the limitations of using debt relief as a mobilization strategy of external resources to support development in the region. It is also difficult to extend debt relief beyond the current HIPC levels given the prevailing relations between some member-states and the donor community. Not only are the prospects extremely bleak for the HIPC initiative to redress sufficiently the debt burden in Africa, but it is also doubtful that this strategy will adequately tackle the pervasive poverty problem in the continent as a whole and the Southern African region specifically. Table 4 below clearly illustrates the profundity of the poverty phenomenon in the SADC region. Between 1987 and 1997 Zambia, Mozambique, Malawi and Tanzania, which are HIPC countries, had respectively 86.0, 69.5, 54.0 and 51.1% of their population living below the poverty datum line (See Table 3). This group is joined by Angola (67%), Swaziland (66.0%) and Zimbabwe (74%). The same table shows such sound economic performers like Botswana and Namibia registering close to 50% of the population living in poverty. On the other hand, countries with low poverty levels include Mauritius (10.6%), South Africa (23.7%) and Lesotho (26.0%). Similarly, half of the SADC member-states registered higher poverty levels, hence the low longevity of life of less than 50 years. Of this category, Malawi, Zambia and Zimbabwe registered the least. Thus, the generally impressive economic growth rate of 1997 was registered amid higher incidence of poverty reflecting a high degree of income and/or resource distribution inequality. It therefore remains doubtful for HIPC initiatives to succeed in alleviating poverty, which is entrenched in colonial economic structures that still remain unchanged in the region. This therefore, exposes the structural economic weakness likely to face the NEPAD development model in the region. The critical question that still remains, therefore, is if prospects for HIPC are bleak in as far as poverty eradication is concerned, how is NEPAD likely to redress poverty in the SADC region? Meanwhile, HIPC and the Paris/London Clubs initiatives are not reducing the debt burden, as the case of Zambia shows, where service payments after HIPC is set to increase before declining in 2005 (see Table 4). Under the HIPC initiative, Zambia is unlikely to benefit. This situation poses a key challenge for NEPAD regarding the extent to which this new development model will redress the external debt burden on African states.

Table 3: Poverty phenomenon in Southern Africa

Country	Population size (million), 1999	Life Expectancy (years) 1998	Population below the poverty line (%), 1987-1997	EC. Growth rate (1997)
Angola	12.4	47.0	67.0	5.9
Botswana	1.6	46.2	47.0	6.9
DRC	49.8	51.2	-	-
Lesotho	2.1	55.2	26.0	3.5
Malawi	10.8	39.5	54.0	5.3
Mauritius	1.1	71.6	10.6	5.0
Mozambique	17.3	43.8	69.5	7.9
Namibia	1.7	50.1	47.0	3.0
Seychelles	0.1	71.0	-	-
South Africa	42.1	53.2	23.7	1.7
Swaziland	1.0	60.7	66.0	3.8
Tanzania	32.9	47.9	51.1	4.0
Zambia	9.9	40.5	86.0	3.5
Zimbabwe	11.9	43.5	74.0	3.7

Source: World Development Report, 2000/2001; SAPES/UNDP/SADC, 1998
NB. - means figure not available

The models' suggestion to fix the debt service ceilings as a proportion of fiscal revenue becomes problematic since donors also contribute a significant proportion of the fiscal resources. Zambia, Malawi and Zimbabwe all have part of their budgets financed by donors. Non-HIPC countries may also demand to benefit from the same process so as to alleviate poverty, a situation that may harden the attitude of donors. This clearly shows the shortcomings of NEPAD, as a future development paradigm of the continent.

Table 4: Zambia annual debt service payment, 2000 to 2005, (US$ million)

Year	Annual total before HIPC	Annual total after HIPC
2000	193	169
2001	436	158
2002	429	151
2003	434	211
2004	434	302
2005	434	96

Source: IMF Country Reports, Zambian 2001 Budget Speech

NEPAD has identified FDIs as a vehicle through which development in the continent will be financed. However, studies have shown that the region is not a favourate destination of FDIs, as in many cases, their flow is largely influenced by the nature of relationship between the states and investors (both domestic and foreign). For instance, Zambia, Malawi and currently Zimbabwe have experienced cold diplomatic relations with industrialized countries resulting in falling FDIs flows. This means that the continued political reforms in the region characterized by covert and overt conflict between imperialist hegemony and national sovereignty (Matlosa 2002) will surely influence FDI flows contrary to the optimistic expectation of the NEPAD paradigm. UNCTAD (2001) reported that the SADC's share of FDIs dropped from US$5.3 billion in 1998 to US$3.9 billion by the year 2000. This is attributed to sharp drops of inflows into Angola, South Africa and Mozambique of 72.8%, 58.4% and 36.4%, respectively. Table 5 shows that FDIs to Zimbabwe fell from US$444 million in 1998 to US$50 million and US$30 million in 1999 and 2000, respectively. Similarly, Botswana and Malawi's FDIs fell from US$96 and US$70 million in 1998 to US$37 and US$60 million in 1999 before falling further the following year to US$30 and US$51 million, respectively. Similarly also, in 1999 net FDIs flows as a percentage of GDP was only significant in Angola (28.9%), Lesotho (18.7%) and Mozambique (9.7%) while big economies such as South Africa and Zimbabwe registered just 1% (See Table 2). The above trends illustrate how FDI inflows into the region and their subsequent location are influenced by other factors, which might be beyond the domain of the state. This exposes the limitation of NEPAD in mobilizing external resources to support development efforts of the continent.

Table 5: FDIs inflows by country, 1989 to 2000, US$ million

Country	1989-1994	1995	1996	197	1998	1999	2000
Angola	215	472	181	412	1114	2471	1800(a)
Botswana	-29	70	70	100	96	37	30
DRC	-2	1	2	1	1	1	1(a)
Lesotho	169	275	286	269	262	136	223(a)
Malawi	12	25	44	22	70	60	51
Mauritius	24	19	37	55	12	49	277
Mozambique	21	45	73	64	213	382	139
Namibia	70	153	129	84	77	111	124
Seychelles	20	40	30	54	55	60	56
South Africa	60	1241	818	3817	561	1502	877
Swaziland	67	44	22	-15	165	90	-37
Tanzania	15	150	149	158	172	183	193
Zambia	90	97	117	207	198	163	200(a)
Zimbabwe	13	118	81	135	444	59	30(a)

Source: UNCTAD, FDI/TNC database
Note: (a) estimate

Industrialized countries pledged to increase the flow of foreign aid to developing countries with "sound" social and economic policies. But in Southern Africa, on a number of occasions donor aid has been withdrawn from some countries for various reasons. The official development assistance (ODA), which consists of concessional financial flows that aim to promote economic development and welfare to Southern Africa, has been falling (African Development Indicators, 2001). Kwasi (2002) has also revealed that aid to Sub-Saharan African countries fell from US$17.2 billion in 1990 to US$12.3 billion in 1999. This is despite the fact that some countries had religiously followed "sound" economic and social policies. For example, Mozambique, one of Africa's poorest countries with a strong track record of implementing policy reforms saw aid dwindling from US$1 billion in 1990 to US$118 million by 1999 (See Table 6). The same table also shows that the DRC, Lesotho, Malawi, Mauritius, Tanzania and Zimbabwe recorded declining trends in net ODA flows over the same period. It thus becomes clear that aid is no longer a developmental instrument, but rather a vehicle to globalise capitalism and entrench imperialist hegemony. For example, due to the sound economic and political environment, donors are pulling out of Botswana while allegations of bad governance and a poor human rights record among other political and economic ills led the same donors to pull out of Zambia and Malawi in 1990 and 1992, respectively, and more recently Zimbabwe. Studies have also shown that since the adoption of economic reforms in Africa in general and Southern Africa in particular, the influence potential of aid has been extended beyond the realm of economic policies to include new conditionalities of good governance, respect of the rule of law and environment, the observance of human rights and the holding of free and fair elections. This illustrates how donors use aid to advance their commercial interests as well as their diplomatic and political objectives. Whereas economic adjustment has contributed to development in Southern Africa, foreign aid has not led to the much-vaunted trickle down effect (Matlosa, 2000 and Mwanza, 2000).

Table 6: Net ODA from all donors, current prices (US$ million), 1990 - 1999

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Angola	269	279	346	291	450	418	473	355	335	388
Botswana	147	132	112	288	256	280	288	221	210	211
DRC	897	476	269	178	245	196	166	157	126	132
Lesotho	142	125	143	142	116	114	104	192	66	31
Malawi	503	523	572	495	467	432	492	345	434	446
Mauritius	89	67	46	26	14	23	19	42	40	42
Mozambique	1002	1069	1463	1179	1200	1064	888	947	1039	118
Namibia	121	182	142	154	137	192	188	165	180	178
Seychelles	36	23	19	20	13	13	19	17	24	13
South Africa	..	..	..	275	295	386	358	495	512	539
Tanzania	1173	1080	1338	950	965	877	877	944	1000	990
Zambia	480	883	1035	872	718	2034	610	610	349	623
Zimbabwe	340	393	792	498	560	491	371	335	280	244

Source: African Development Indicators, 2001

The above is worsened by the weak state, as is the case in Malawi, which is failing to absorb donor resources currently flowing into the country. The situation is further worsened by the fact that in some countries such as Malawi, Zambia and Zimbabwe the state of donor-state relations is now based on good governance, democracy, the rule of law, human rights, transparency and accountability. This is not only a threat to development and nation-building, but also a major challenge to any development initiative in the region. It has become clear that donors support a minimal role of the state in development in order to promote their own interests and foreign assistance has become increasingly a tool of capitalism.

By focusing on poverty reduction and the promotion of economic growth and development, NEPAD seems to mimic the World Bank development paradigm. However, the model largely remains a statement of intent for the resources to implement it are expected to come from the developed countries. It appears that this is the major weakness of NEPAD, as lack of regionally or continentally mobilized resources will have a significant bearing on the success of NEPAD. At the moment, many states lack the capacity to articulate their interests. This is so largely because the region is currently under focus and the political leadership has chosen to politically support each other under serious threat from the Western countries. A "show down" is looming between the regional leaders and the international donor community regarding the situation in Zimbabwe. Regional leaders have endorsed the just ended Presidential election results, while the developed countries criticize the process as flawed. Against this background there can be neither a good partnership with the donors, nor any financing. Meanwhile Presidents Mbeki of South Africa and Obasanjo of Nigeria are mediating in the Zimbabwean political stalemate, whose process is closely monitored by the foreign powers, particularly the UK, EU and USA. The puzzle continues in that lack of an amicable solution to the Zimbabwean political stalemate may mean failure also for these countries to sell the model to Western countries. Indeed, events in Zimbabwe and the new development paradigm have future implications for the region and the continent.

Some countries in the region have poor facilities and inadequate systems of enhancing human capital formation, despite having sustained expanded educational and training systems during the first decade of independence. The adoption of economic reforms reversed all the gains that such countries as Malawi, Zambia and Zimbabwe had achieved soon after self-rule was attained. Economic reforms led to the adoption of cost recovery measures against the backdrop of rising poverty. The second was the contraction of the industrial base, which led to a massive exodus of highly trained people to the industrialised countries (brain drain). Southern Africa is among those regions with a high brain drain, hence the notion that the region is actually a training ground for developed nations. This trend is undoubtedly inimical to development, and any developmental paradigm should address this dilemma (Matlosa, 2001). This therefore calls for a well-defined role of the state in development. In this case, NEPAD seeks to reverse the brain-drain from the region by attracting much-needed foreign direct investment. But, as illustrated in Table 2 and Table 4, the flow of FDIs to the region has remained largely unimpressive.

NEPAD acknowledges that the region faces many challenges including low incomes, falling trade share, slow growth, high inequality, uneven access to resources and social exclusion and security. The region also faces a widespread incidence of communicable diseases such as the HIV/AIDS, tuberculosis and malaria. For instance, one in very four people in Southern Africa is infected with the HIV virus (Masiiwa, 2001). This is affecting productivity, hence calls for closer cooperation between the state and markets. It is also imperative for the regional states to have good relations with the donor community in order to complement domestic resources. However, the model is too optimistic. The donor community, who demand that member-states behave in a certain way, have already put on the table issues of good governance, human rights, democracy, and accountability. This conditionality is viewed by regional leaders as an obstruction to the aim of redressing past injustices, particularly where the equitable redistribution of resources in concerned.

Conclusion

The role of the state in development has been an issue of heated debate at theoretical and policy arenas in the Southern African region especially since the attainment of independence in the 1960s. Two main alternative or contrasting development agendas that have driven the debate were those of the nationalist political elite on one hand and those of foreign capital on the other. The former espoused what in ideological and policy terms could be described as *economic nationalism.* The latter espoused what could be described as *economic marketism.* State intervention, as a key policy thrust of a development process is much stronger in respect of economic nationalism, which in itself is an expression of the political commitment of African states to chart an autonomous development path. Economic nationalism and state interventionism, however, have not yet been sufficiently embedded in the development processes in Southern Africa. The more influential development paradigm that has driven the vision and destiny of the region thus far is clearly economic marketism, which has placed a higher premium on market as key agent of development and rolled back the state. It is quite obvious that this development paradigm would not bring about autonomous development for the region, but rather enclave economies integrated into the global capitalist world in an unequal and dependent fashion and as such unable to achieve the key goals of regional integration (SAPES/UNDP/SADC, 2000).

It is thus imperative that Southern African states strive towards market-friendly state interventionism in the development process. As Mengisteab and Logan rightly remind us, no single system in the whole world has a completely laissez faire market. They, therefore conclude that complementarity between the state and market is the key route to follow in this post-adjustment period. In their own words, these authors put their argument as follows:

> *Resource allocation by the self-serving state is clearly incompatible with socio-economic development. However, the market's trickle down process, by itself, is also insufficient to redistribute resources in a manner that would alleviate poverty, transform the larger subsistence sector and promote an environment-friendly system of production. Hence a democratic state that would be more likely to allocate resources in response to social needs becomes imperative* (1995:292).

This quotation wraps up and in essence sums up the argument of this paper. The challenge confronting NEPAD as a continental development initiative relates precisely to this balance between states and markets. It is this balance that will determine the policy and ideological thrust of NEPAD. It is this balance that will be crucial in determining whether NEPAD leads the Southern Africa region towards autonomous development or simply perpetuates dependent/enclave development. This critical balance will also play a key role in terms of the success or failure of the regional integration process that has made such tremendous progress thus far compared to other regions of the continent.

By way of conclusion, this paper explicitly advocates for formal and institutionalized partnership between state and markets in the development process in Southern Africa if NEPAD is to deliver desirable policy results for SADC. This proposition, however, is not necessarily new, as other scholars have argued for it earlier on although focusing generally on the African continent and not specifically on the SADC region (see Mengisteab and Logan, 1995; Kayizzi-Muegerwa, 1998). Mengisteab, in particular, isolates three main factors why the state-market partnership provides a sort of panacea to Africa's development malaise:

- the African state, as represented by state-owned enterprises (SOEs), has been self-serving and inefficient at meeting the needs of large segments of the African population;
- although the market may be efficient at maximizing returns from scarce resources, its optimal conditions may not always be consistent with the realities of the African political economy; and

- despite the shortcomings of the state, neither a workable market system, nor sustainable development is likely to be obtained without considerable state participation (Mengisteab, 1995).

Finally, an effective state interventionism within the condition of regulated markets will, of necessity, require that the state itself is sufficiently democratized. To what extent does NEPAD intend to go the route of democratizing the state and governance regimes in the Southern African region? These are critical matters that require in-depth research and this paper simply attempts to suggest possible key policy research areas for the SADC region as NEPAD is launched.

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