

NEW PARTNERSHIP FOR AFRICA'S DEVELOPMENT AND ECONOMIC GROWTH IN NIGERIA

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ABSTRACT

Africa has registered its commitment and determination for socio economic transformation and accelerated development through the New Partnership for African development (NEPAD) programme of the African Union. NEPAD, as a continental initiative, has brought to the fore, more than ever before, the requisite political will to the overarching objective of reducing poverty. Thus, the objective of this study is to examine the role of NEPAD on economic growth of Nigeria. The data for the study is the actual expenditure data on the three sampled sectors from NEPAD office in Abuja and the real Gross Domestic Product (GDP) for the corresponding periods extracted from CBN statistical bulletin. The data was analysed using Ordinary Least Square regression to show the relationship between NEPAD and economic growth. The result shows that NEPAD has positive impact on Nigerian economy. It is recommended that The government should increase budgetary allocation to the Agricultural, educational and health sector. The allocation should be based on the agreement as contained in the NEPAD policy framework. This will promote economic development.

Introduction

In its 2001 Summit, in Lusaka Zambia, the Africa Union, an umbrella body for independent African States endorsed and adopted the New Partnership for Africa's Development (NEPAD). This represents the latest attempt by African countries to promote economic and social development in this economically backward continent. Paradoxically, the same African continent is the custodian of a sizable portion of the World's natural resources.

Essentially, the long-term objective of NEPAD is to eradicate poverty in Africa and to place African countries, both individually and collectively, on the path of sustainable growth and development and thus halt the marginalization of Africa in the globalization arena. To achieve this objectives, the NEPAD document adopts a neoliberal economic approach that emphasizes the supremacy of market forces and the promotion of free competition within the continent. In other to support and encourage the above objectives, the NEPAD agenda stresses the promotion of good governance. At another level, the programme calls for international support to help

create the conducive environment necessary for the reintegration of Africa into the global economy. In other words, the main objective of the NEPAD initiative is to create a favourable environment for the advancement of private capital within the African continent and to make the international business arena more accessible to African goods and enterprises.

This arose the interest of scholars and other policy commentators to question or supports the viability of NEPAD in contributing to the socioeconomic growth of Africa as a continent. Some studies are of the opinion that if the objectives of NEPAD are followed religiously, the anticipated growth in Africa will start flowing and poverty will reduce greatly (Chabal, 2002; and Nwonwu, 2006). Other studies have contrary views that previous development policies for Africa implemented by African leaders shared a common family semblance; they are Western initiatives, often mounted to stall self-driven indigenous developmental programs by Africans. As with their forebears, they are incapable of achieving any good purpose for Africa, and once these policies have done the jobs for which the initiators installed them, or if they are perceived as not serving the interest of their initiators, they are dismantled without apologies, hence the goals of such policies (Nabudere, 2002; Abraham, 2003; Ezeoha & Uche, 2005; and Ogbinaka, 2006). This study will harmonize this two extreme views and try to empirically look at the achievement of the objectives of NEPAD so far and its impact on economic growth and development in Nigeria.

In the light of the above, the study will answer the following questions;

- i. Does NEPAD contribute to economic growth and development in Nigeria?
- ii. What are the challenges facing NEPAD in achieving its objectives?

Economic Integration and National Development

Global economic integration is not a new phenomenon. Some communication and trade took place between distant civilizations even in ancient times. Since the travels of Marco Polo seven centuries ago, global economic integration-through trade, factor movements, and communication of economically useful knowledge and technology has been on a generally rising trend. This process of globalization in the economic domain has not always proceeded smoothly. Nor has it always benefited all whom it has affected. But, despite occasional interruptions, such as following the collapse of the Roman Empire or during the interwar period in this century, the degree of economic integration among different societies around the world has generally been rising. Indeed, during the past half century, the pace of economic globalization (including the reversal of the interwar decline) has been particularly rapid. And, with the exception of human migration, global economic integration today is greater than it ever has been and is likely to deepen going forward (Craft, 2000).

Three fundamental factors that have influenced the pattern and pace of economic integration in all of its important dimensions and have also affected the process of economic globalization and are likely to continue driving it in the future. First, improvements in the technology of transportation and communication have reduced the costs of transporting goods, services, and factors of production and of

communicating economically useful knowledge and technology. Second, the tastes of individuals and societies have generally, but not universally, favored taking advantage of the opportunities provided by declining costs of transportation and communication through increasing economic integration. Third, public policies have significantly influenced the character and pace of economic integration, although not always in the direction of increasing economic integration.

Rationale for Establishment of NEPAD

NEPAD's agenda is predicated on the realization that Africa has been riding a political roller coaster since the era of independence. This state of political limbo spanned more than half a century. Prior to the formation of NEPAD, the prospects of Africa ever extricating itself from this quagmire were improbable. Under NEPAD, Africa nurses high hopes and sets pertinent but seemingly ambitious goals for development. This is set against the backdrop of her past performance, which has been marked by a preponderance of political instability and the raging tenacity of leaders to remain in power by resisting attempts at using constitutional means to bring about change in leadership.

African leaders see NEPAD as the instrument for solving the nagging problems that have continuously hindered Africa's development. Leaders have acknowledged that there are conditions necessary for the attainment of sustainable development, and they set out to institutionalize them. They acknowledged that sound democracy, peace and security, and good governance are vital in the pursuit of sustainable development. Accordingly, the leaders rapidly pursued the formation of The Peace and Security Council (PSC), Economic, Social and Cultural Council (ECOSOCC), and the African Peer Review Mechanism (APRM) as organs of NEPAD to explicitly demonstrate their commitments to implementing the development agenda. The institutionalization of these organs is a giant stride in bringing about peace and security and in boosting investor's confidence in the continent. African leaders have repeatedly reaffirmed their belief that it is their primary responsibility to prevent, manage, and resolve conflicts in the continent. The APRM is designed as a mechanism to further establish Africa's preparedness to institute democracy and *good political governance*. NEPAD assumes a unique status compared to past development agendas in the sense that Africa lays claim to ownership and responsibility for its origin and creation. Upon NEPAD's implementation, the continent acknowledges its economic limitations and seeks technical and financial support from her development partners. This commitment is regarded as the first time Africa has presented "ownership" and "governance" to the world as the basic principles of African development (Enoki, 2002).

The rationale for establishing NEPAD is outlined into objectives and it is envisaged that the objectives of the programme will be achieved by African leaders assuming joint responsibility for:

- i. strengthening mechanisms for conflict prevention, management and resolution at the regional and continental levels, and ensuring that these mechanisms are used to restore and maintain peace;
- ii. promoting and protecting democracy and human rights in their respective countries and regions, by developing clear standards of accountability and participatory governance at the national and sub-national levels;
- iii. restoring and maintaining macroeconomic stability, especially by developing appropriate standards and targets for fiscal and monetary policies, and introducing appropriate institutional frameworks to achieve these standards;
- iv. instituting transparent legal and regulatory frameworks for financial markets and auditing of private companies and the public sector;
- v. revitalizing and extending the provision of education, technical training and health services, with high priority given to tackling HIV/AIDS, malaria and other communicable diseases;
- vi. promoting the role of women in social and economic development by reinforcing their capacity in the domains of education and training; by the development of revenue-generating activities through facilitating access to credit; and by assuring their participation in the political and economic life of African countries;
- vii. building the capacity of States in Africa to set and enforce the legal framework, as well as maintaining law and order;
- viii. promoting the development of infrastructure, agriculture and its diversification into agro-industries and manufacturing to serve both domestic and export markets

Challenges facing NEPAD

NEPAD is criticized as an initiative, conceived and hatched by a handful of African heads of state. As a top-down political strategy, its critics claim that it ignores the relevance and contributions of the grassroots, civil society and a host of other stakeholders in its formulation (Al-Sherbini, 2003).

Cilliers (2004) recalls that NEPAD is not the first continental initiative to try to extricate African states and continental Africa from the malaise of underdevelopment and exclusion in a globalized world. Others before it include: the Lagos Plan of Action for Economic Development in Africa (1980-2000), the African Alternative Framework to Structural Adjustment for Socio-Economic Recovery and Transformation (AAF-SAP) (1989), and the African Charter for Popular Participation for Development (1990). Other critiques of NEPAD argue that it is a state-centric initiative whose conceptualization did not involve the people for whom it is designed. The realism of this statement remains the major accusation unleashed against NEPAD. Critics argue that this is the bane of the apathy that characterizes the

attitude of civil society to the initiative. Further criticisms levelled against NEPAD are its perceived capitulation to the global capitalist market, its elite inception, and its large scale concession to the precepts of the neoliberal orthodoxy. This orthodoxy, critics argue, perpetuates an unfavourably skewed distribution of resources, wealth, and power and does not allow the free markets to play a role in allocating public goods and services (Fakir, n.d.). NEPAD is widely considered to be a closed system that has shut its doors against bonafide stakeholders including academics, technocrats, civil society organizations, students, and other service providers. The organization is still undergoing an acceptability test from the African citizenry who were not consulted at the formative stage of the initiative and who still nurse the wounds from the initial neglect.

Contrary to this widely held view of NEPAD, some analysts depart from this castigation route to argue that NEPAD is only a blueprint provided by African leaders, and it is the civil society and the people who must respond urgently to the opportunity to participate in the implementation of the NEPAD programs (M'boge and boe, 2004). Paradoxically, the NEPAD operatives continue to blame lack of capacity as the primary predicament and main contributor to their underachievement. It is as incredulous as it is unfathomable that Africa, as a repository of intellectual versatility and known for the vitality and dexterity of its people, lacks the quantum of intellectual sufficiency and critical mass of technocrats needed to implement NEPAD programs. Informed opinions believe that it is more due to the isolationism of the actors of the NEPAD implementation system rather than lack of skilled manpower that has been the bane of the implementation calamity facing the organization. This culture of exclusivity has mystified the implementation of the programs thereby making it look intractable and unattainable.

The political systems in many African states portray clear deviations from the NEPAD objectives of democracy, good political and corporate governance, respect for human rights, and the rule of law as experienced in Zimbabwe, Cote d'Ivoire, DRC, and Togo. Corruption remains the rule rather than the exception in many African countries with Nigeria in particular always ranked among the top three most corrupt countries in the world. The damage to investor confidence and therefore the flow of investment funds in the form of FDI and ODA into Africa can be phenomenal and damaging. The degree of corruption in Africa has reached alarming proportions and has transcended African boundaries to become a global phenomenon that generates international recognition and debate globally. Hence, when Africa's foremost statesman and Nobel' Laureate Nelson Mandela gave his famous Trafalgar Square address and appealed for funds to fight poverty in Africa in February 2005, some unsavoury remarks to the effect that Africa is impoverished by its own leaders rent the air. The state of infrastructure in Africa, especially ICT, is substandard. Furthermore, the existing infrastructure continues to depreciate and is becoming dilapidated, yet there is no discernible effort to rehabilitate it. The present resources cannot support the new development initiatives of NEPAD. Although infrastructural



development is one of the key objectives of NEPAD, its implementation will depend almost entirely on foreign partner support, which cannot be guaranteed.

Research Methodology

The research design for this study is the descriptive research design which is concerned with the collection and analysis of data obtained from secondary source for the purpose of describing, evaluating or comparing current events. The design guide us to state the direction and measure of relationship between two or more variables. The data used in this study is the actual expenditure data on the three sampled sectors from NEPAD office in Abuja and the real Gross Domestic Product (GDP) for the corresponding periods extracted from CBN statistical bulletin.

The data was analysed using Ordinary Least Square regression to show the relationship between NEPAD and economic growth. The dependent variable is gross domestic product (GDP) and the independent variables are expenditures on education, health and agriculture.

The regression model for the study is stated below: $y_i = \alpha_i + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \varepsilon_i$

Where $y = \text{GDP}$

$X_1 = \text{Agric Expenditure}$

$X_2 = \text{Education Expenditure}$

$X_3 = \text{Health Expenditure}$

$\varepsilon = \text{error term}$

Results and Discussions

The table below shows Gross Domestic Product and budget to the Agricultural, Educational and Health sectors of Nigeria.

Table 1: GDP, Budget to Agriculture, Education and Health

YEAR	GDP (₦)	AGRIC (₦)	EDUC (₦)	HEALTH (₦)
2001	4725.086	7064.55	39882.6	24522.27
2002	6912.381	9993.55	80530.88	40621.42
2003	8487.032	7537.35	64782.15	33267.98
2004	11411.07	11256.2	76524.65	34197.14
2005	14572.24	16325.6	82795.06	55661.63
2006	18564.59	17212.8	87294.56	58686.56
2007	20657.32	21202.7	107529.4	72290.07
2008	23842.17	65400	164000	98200
2009	25437.07	68713.4	171865.3	101321.2

Source: CBN Statistical Bulletin (2008)

Looking at the gross domestic figure, it has increased consistently over the period of the study. In 2001, the GDP was N4,725.086 million and it increased to N14,572.24 million in 2005, an increase of over 300% over a five years period. This shows that the Nigeria economy grows over this period and that the sudden increase in GDP can be explained by the return to civil rule and the initiative in forming NEPAD.

The increase in economic growth and development continue between 2006 and 2009. The GDP grow from N18,564.59 million in 2006 to N25,437.07 million in 2009, a percentage increase of about 37%. This increase is at a decreasing rate from the previous years because the euphoria that come with the return to civil rule and the formation of NEPAD started dying down.

A look at the budget to the various sectors that has effect on poverty reduction, Agriculture, Education and Health sector shows no seriousness on the part of the Nigerian government. The budget to Agriculture for instance increased from N7,064.55 million in 2001 to N9,993.55 million the following year only for it to decrease to N7,537.35 million in 2003. This sudden decrease could be explained by the 2003 election as government directed most of its resources towards the conduct of the election. Between 2004 and 2009, the budget to this sector grows from N11,256.2 million to N68,713 million showing an increase of about 510%.

Budget to the Educational sector as an instrument for poverty reduction also increases between 2001 and 2002 and decreases in 2003 due to election, but increases steadily afterward. It increases from N64,782.15 million in 2003 to N107,529.4 million and N171,865.3 million in 2007 and 2009 respectively. This shows that government increased funding to the educational sector as a result of NEPAD and the agitation by the stakeholders in the educational sector.

The Health sector suffered the same faith by agricultural and the educational sector in the first three years, but experiences increases thereafter. The increase in this sector is not as rapid as that of the educational sector. The budget to the health sector increased from N33,267.98 million in 2003 to N101,321.2 million in 2009. Although, this is over 200% increase but this increment is not commensurate with the financial requirements necessary in this sector.

Ordinary Least Square regression results

Table 2: below shows the result of the ordinary least square regression. The dependent variable is the gross domestic product, while the independent variables are the budget figures for Agricultural, Educational and Health sector of the Nigeria.



Table 2: OLS results

Dependent Variable: GDP				
Method: Least Squares				
Sample: 2001-2009				
Included observations: 9				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
EDUC	0.164566	0.754746	0.218041	0.0360
AGRIC	-0.144431	0.377103	-0.383001	0.0175
HEALTH	1.201712	0.737685	1.629032	0.0642
C	-4.033352	4.234847	-0.952420	0.3846
R-squared	0.878217	Mean dependent var		9.473914
Adjusted R-squared	0.805147	S.D. dependent var		0.591074
S.E. of regression	0.260913	Akaike info criterion		0.451840
Sum squared resid	0.340377	Schwarz criterion		0.539496
Log likelihood	1.966718	F-statistic		12.01889
Durbin-Watson stat	1.546719	Prob(F-statistic)		0.010074

The least square regression equation and the estimate of the result are given as;

$$GDP = -4.0333 - 0.1444*AGRIC + 0.1646*EDUC + 1.2017*HEALTH$$

The equation above indicates that an increase in budgetary allocation to the agricultural sector has a negative impact on economic growth and development in Nigeria. A unit increase in budget to agriculture leads to about 14% decrease in gross domestic product. This result is significant at 5% as the t-statistic of 0.22 is less than the table value of 1.73.

The result also shows that budgetary allocation to the educational sector has a significant positive impact on economic growth and development in Nigeria. A unit increase in budget to the educational sector will lead to about 16% increase in gross domestic product which shows a positive relationship between educational sector and economic development. This result is significant at 5% as the t-statistic of -0.38 is less than the table value of 1.73.

For the health sector, the result also indicates that budgetary allocation to the sector has a significant positive impact on economic growth and development as a unit increase in budget to the health sector result in an increase of about 120% in gross domestic product. It also indicates a positive relationship between the health sector and economic development. This result is significant at 5% as the t-statistic of 1.63 is less than the table value of 1.73.

The R^2 is 88% and it indicates the overall fitness of the regression to measure or explain the dependent variable and the adjusted R^2 is 81%. The standard errors of the estimates are 0.75, 0.37, 0.73 which are not very significant. The analysis of the data collected to measure the effect of New Partnership for African Development (NEPAD) shows that NEPAD has a positive impact on Nigerian economy. The findings of the study based on the objectives is as follows;



- i. That increase in budgetary allocation to the agricultural, educational and health sector as result of the initiative of the New Partnership for African Development (NEPAD) has resulted in economic development of Nigeria. Although the result for the agricultural sector shows a negative impact on the economy, educational and health sector shows contrary results. The negative effect of the budget to the agricultural sector could be explained by the improper implementation of the various agricultural programmes. Those in the rural areas that needed the support do not have access to agricultural facilities.
- ii. The poverty programmes of the New Partnership for African Development (NEPAD) is yielding some results. The increases in budgetary allocation to the educational sector have resulted in more enrolment and improvement in infrastructures in schools. This is increasing the literacy rate in the country. Likewise, increases in budgetary allocation to the health sector have increases the living standard of the populace. It enables access to medical facilities.
- iii. The findings of the study also show that the New Partnership for African Development (NEPAD) faces a lot of challenges. Even though there is increase in budget allocation aimed at reducing poverty, the rate of increase is low compared to the agreement of the New Partnership for African Development (NEPAD). Successive government do not have commitment to the programmes of NEPAD as it is not their initiative.

Conclusions and Recommendations

This study uses data on gross domestic product and budgetary allocations to the agricultural, educational and health sectors of Nigeria to study the role of NEPAD in economic growth of Nigeria. Based on these data and findings from their analysis, the following conclusions are made;

- i. The New Partnership for African Development (NEPAD) has contributed to economic growth and development in Nigeria as budgetary allocations to those sectors that impacted directly on poverty have increased steadily since 2001.
- ii. That the poverty reduction programmes of New Partnership for African Development (NEPAD) are yielding some required results.
- iii. The New Partnership for African Development (NEPAD) is bedevilled by some challenges such as inadequate budgetary allocations to sectors that promote development, commitment on the parts of successive government to implement the NEPAD agreement.

5.3 Recommendations

In order for New Partnership for African Development (NEPAD) to achieve its objectives in Nigeria, the following recommendations are made;

- i. The government should increase budgetary allocation to the Agricultural, educational and health sector. The allocation should be based on the agreement as contained in the NEPAD policy framework. This will promote economic development.
- ii. Credit facilities to the agricultural sector should be directed at the rural farmers



- not government cronies. If this is done it will alleviate poverty and the rural farmers can expand their productions and sell to have more profit.
- iii. Budgetary allocation to the educational sector should concentrate on entrepreneurial studies at the trade school in secondary level and tertiary level. This will teach student to be self-sufficient and employer of labour rather than those that will be seeking for white collar jobs.
- iv. The budgetary allocation to the health sector should addressed the needs of the rural populace who are far from health facilities. There should be establishment of rural health centre where medical facilities can be assessed at subsidized rate.
- v. Successive government should be committed to the NEPAD agreement. If what is contained in the agreement is implemented and sustained, the poverty in the economy will be a thing of the past and economic growth and development would be fast tracked.

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