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INTERNATIONAL CONFERENCE ON

PROMOTING STABILITY AND DEVELOPMENT IN AFRICA: FOSTERING COOPERATION BETWEEN PUBLIC AND PRIVATE SECTORS

Turin, 1-2 December 2014

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PROGRAMME

MONDAY, 1 DECEMBER 2014

13.30 – 14.30	**REGISTRATION OF PARTICIPANTS AND BUFFET LUNCH**
14.30 – 15.00	**WELCOME ADDRESSES**
	GIOVANNI ANDREA PORCINO, President, Municipal Council of the City of Turin
	PIERO FASSINO, Mayor of Turin
	FERDINANDO NELLI FEROCI, President, Istituto Affari Internazionali (IAI), Rome
15.00 – 15.30	**OPENING REMARKS**
	MASSIMO D'ALEMA, President, Foundation for European Progressive Studies (FEPS), Brussels
15.30 – 15.45	**PRESENTATION OF THE RESEARCH PROJECT**
Speaker	*NICOLETTA PIROZZI*, Senior Fellow, European Affairs, Istituto Affari Internazionali (IAI), Rome
15.45 – 16.15	**COFFEE BREAK**
16.15 – 17.45	**SESSION I: CREATING A STRATEGIC ARC OF STABILITY FROM THE SAHEL TO THE HORN OF AFRICA: THE CASES OF NIGERIA AND ETHIOPIA**
Chairman	*CHRISTOPHER FOMUNYOH*, Senior Associate and Regional Director for Central and West Africa, National Democratic Institute (NDI), Washington D.C.
Paper-givers	*ABEL ABATE*, Senior Researcher, Ethiopian International Institute for Peace and Development (EIIPD), Addis Ababa
	MEHARI TADDELE MARU, International Consultant, Addis Ababa
	SHOLA OMOTOLA, Senior Lecturer in Political Science, Redeemer's University, Abuja
Respondents	*ALEX VINES*, Head of Africa Programme, Chatham House, London
	JOHN WEEKS, Professorial Research Associate, Department of Development Studies, School of Oriental and African Studies (SOAS), London

TUESDAY, 2 DECEMBER 2014

9.00 – 10.30	**SESSION II: RELEASING NEW ENERGY FROM THE SOUTH: THE CASES OF SOUTH AFRICA AND MOZAMBIQUE**
Chairman	*PIETRO MARCENARO*, President, Centro Piemontese di Studi Africani (CSA), Turin
Paper-givers	*CATHERINE GRANT-MAKOKERA*, Research Associate, South African Institute of International Affairs (SAIIA), Johannesburg *PAULO WACHE*, Head of the Department of Foreign Policy, Centro de Estudos Estratégicos e Internacionais, Maputo
Respondents	*BRUCE BYIERS*, Policy Officer Economic Transformation and Trade Programme, European Centre for Development Policy Management (ECDPM), Brussels *MARCO CLAUDIO VOZZI*, Deputy Director for Sub-Saharan Africa, Italian Ministry of Foreign Affairs and International Cooperation, Rome
10.30 – 11.00	**COFFEE BREAK**
11.00 – 12.30	**SESSION III: PRIVATE SECTOR ROUNDTABLE**
Chairman	*GIANNI BONVICINI*, Executive Vice President, Istituto Affari Internazionali (IAI), Rome
Speakers	~~*ELENA CASOLARI*, Executive President, Fondazione OPES Onlus, Milan~~ *OSVALDO LINGUA*, Vice Secretary General, Imprese Sociali Ferrero, Alba *RAFFAELLO MATARAZZO*, Senior Policy Analyst, Government Affairs, Eni, Rome *MARIO RAFFAELLI*, President, AMREF Italia, Rome *ROBERTO RONCO*, Member, Board of Administration, and former President, Hydroaid, Turin
12.30 – 12.45	**CLOSING REMARKS**
	NICOLETTA PIROZZI, Senior Fellow, European Affairs, Istituto Affari Internazionali (IAI), Rome
12.45	**BUFFET LUNCH**

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Draft paper on

PROMOTING STABILITY AND DEVELOPMENT IN AFRICA: FOSTERING COOPERATION BETWEEN PUBLIC AND PRIVATE SECTORS

A Case Study of Ethiopia

By Mehari Taddele Maru & Abel Abate Demise

Mehari Taddele Maru, International Consultant, Addis Ababa
Abel Abate Demise, Senior Researcher, Ethiopian International Institute for Peace and Development (EIIPD), Addis Ababa

DRAFT- NOT TO BE QUOTED

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Mehari Taddele Maru and Abele Abate
17 November 2014

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Abbreviations and acronyms

ADB	African Development Bank
Al-Shabaab	The Harakat Shabaab al-Mujahidin
ANDM	Amhara Nationalist Democratic Movement
AU	African Union
AUC	African Union Commission
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
EDP	Ethiopian Democratic Party
EFFORT	Endowment Fund for the Rehabilitation of Tigray
EPRDF	Ethiopian Peoples' Revolutionary Democratic Front
EU	European Union
EIU	Economist Intelligence Unit
FANSPS	Foreign Affairs and National Security Policy and Strategy
FTA	Free Trade Agreement
GDP	Gross Domestic Product
Ginbot 7	Ginbot 7 (May 7th) for Democracy and Justice
GTP	Growth and Transformation Plan
IDPs	Internally Displaced Persons
IGAD	Inter-Governmental Authority on Development
IMF	International Monetary Fund
Medrek (Forum)	Forum for Democratic Dialogue in Ethiopia
MDGs	Millennium Development Goals
MIDROC	Mohammed International Development Research and Organization Companies
MoFED	Ministry of Finance and Economic Development
NEBE	Electoral Board of Ethiopia
NEPAD	New Partnership for Africa's Development
NPSA	National Peace and Security Architecture
OLF	Oromo Liberation Front
ONLF	Ogaden Nationalist Liberation Front
OPDO	Oromo People Democratic Organization
PEGA	Political, Economic and Governance Analytical approach
PESTLE	Political, Economic, Social, Technological and Legal Environment
REC	Regional Economic Community
SEPDM	Southern Ethiopian People Democratic Movement
TPLF	Tigrai People Liberation Front
TPDM	Tigrai People Democratic Movement
UN	United Nations
UNDP	United Nations Development Programme
USD	United States Dollar

Introduction

In his most recent remarks during a meeting with Prime Minister Haile Mariam Desalegn of Ethiopia, President Barack Obama neatly pointed out the "enormous progress in a country that once had great difficulty feeding itself. It's now not only leading the pack in terms of agricultural production in the region, but will soon be an exporter potentially not just of agriculture, but also power because of the development that's been taking place there" (Obama, 2014). Referring to the various outlooks on Ethiopia economic performance as "one of the fastest growing economies in the world", he dubbed Ethiopia as exemplary of the "bright spots and progress" in Africa (Obama, 2014).Recent promising mega trends in economic growth and relative stability in the region, coupled with an expected expansion of middle class and market fuelled by fast growing population has created a surge of interest in trade and opportunity for investment.

In an attempt to provide the political underpinnings of the economic policy in Ethiopia, the paper explains the idea of developmental State and its place in the ruling dominant party, the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF). With this background, the paper discusses four intertwined roles of the Ethiopian State at the national level and regionally: economic development, democratic governance, peace and security, and regional integration. It further describes and analyses the major drivers and actors in this regard. In assessing the Private Public Partnership (PPP), it discerns the role the public and private actors play in Ethiopian political and economic development. As a country where the public sector dominates the private sector, the paper discusses public investment-led economic development and its implications on Ethiopia's regional integrative roles..

Furthermore, it assesses the relationship between the public and private spheres, and the role of the State and the private sector could have played and should play in fostering good governance and increasing security in the region. It also attempts to define what role international institutions and private actors could have vis-à-vis the State in fostering growth, better governance and increasing security in the region. It further discusses the challenges and opportunities of cooperation between State and regional institutions and private actors.

In this regard, the paper examines the place and space the private sector occupies in the Ethiopian political economy, and its role in the peace and security as well as regional integrative opportunities in the region. While it covers the state of peace and security in Ethiopia, it further discusses its basic components including the key peace and security issues and concerns, the internal and external threats to its stability, as well as the national efforts exerted to maximize the opportunities for stability and avert threats.

Aim and Scope of the Paper

With an ultimate objective of contributing to the project on *Promoting Stability and Development in Africa: fostering cooperation between public and private sector*, the paper summarises new and emerging developments in the economic sphere, governance issues and opportunities and threats in peace and security that Ethiopia is facing. The paper looks at the status of the Ethiopian National Governance Architecture (ENGA), the Peace and Security Architecture (NPSA) as well as the normative framework including the national legislative and policy, and the institutional framework of the Ethiopian economics. Ethiopia's cooperation, coordination, and collaboration with regional and international actors is highlighted. In addition, Ethiopia's role in peace and security in the IGAD and AU is explained. While assessing the progress made so far in the economic development, governance and peace and security, the paper identifies the gaps in legislative and policy framework of the ENGA, institutional standing and predictive, preventive, and responsive capacities of Ethiopian NPSA, and the critiques and threats to Ethiopian economic development.

Methodology

The research integrates well-known methods, including **PEGA** (Political, Economic and Governance Analytical approach) and the **PESTLE**(Political, Economic, Social, Technological and Legal Environment) scanning as the two main complementary analytical instruments to look at economics, governance, peace and security and issues of regional integration. PEGA focuses on the overall political economy and governance context including grievances and conflicts; PESTLE scans all aspects including normative, institutional and processes in governance, social, technological and legal situation analysis, particularly in relation to human security, vulnerabilities and capabilities of the Ethiopian State and society. The paper thus mainly relies on the following three methods:

a. Desk research of literature and documents;
b. Review of legislative, policy, strategic and programmatic documents;
c. Visits to and interviews with more than 21 focal State and non-state actors.

INTRODUCTION: Ethiopia

Officially known as the Federal Democratic Republic of Ethiopia (FDRE), it is a member of the United Nations (UN), African Union (AU), Intergovernmental Authority on Development (IGAD), and COMESA. Most Ethiopia's regional interests are pursued through a multilateral setting and with the support of IGAD.

ECONOMIC DEVELOPMENT: *Extreme Poverty as Threat No. 1*

Ethiopia, with a population of more than 94.10 million (World Bank, 2013), is the second-most populous country in Africa. 57 percent of the population is below 20 years old (FDRE Census, 2010). With an average fertility rate of 3.8 children per woman, and an average annual rate of 2 percent population growth, (IFS, 2014) Ethiopia's population is expected to be 100 million by 2017 and 132 million by 2030 (IFS, 2014). One of the world's poorest countries (IFS, 2014). According to the World Bank in financial year 2013 (IFS, 2014). Ethiopia's per capita income is much lower than the Sub-Saharan African average of US$1,624. 470 USD per capita incomes, Ethiopians earn 1154 USD less than their African brothers and sisters in the rest of Sub-Saharan countries. 17 percent (or USD 27) of their per capita income comes from international aid, making Ethiopia one of the highest recipients of international aid. In spite of this, the national poverty head count ratio at national poverty line has reduced from 45.5 percent in 1995 to 29.6 percent in 2011. This constitutes a 15 percent reduction in five years. With an annual increase 3 percent, in the past 15 year, Ethiopian improved by 45 percent in Human Development Index. Life expectancy at birth increased by 15.8 years, mean years of schooling increased by 0.7 years and expected year of schooling increased by 6.3 and GNI per capita increased by 102 percent.

While all the progress is commendable (World Bank, 2013), poverty is expected to remain above 50 percent until 2027(IFs, 2014). Consequently, poverty remains a formidable and the greatest internal challenge to Ethiopia's peace and development.

Recurrent Drought and Extreme Poverty

Predominantly an agrarian economy that employs 80 percent of its working population, Ethiopian agricultural exports account for 80 percent of its international trade. With 84 percent agrarian population employing 80 percent of the work force, agriculture contributes only 42 percent of the Gross Domestic Product (GDP)(State Department, 2013). Prone to erratic weather and climate change, rain-fed agriculture easily turn drought to famine when the government fails to intervene. Despite a significant achievement in 75 percent decrease in the number of people in need of food aid, Ethiopia remains one of the largest operation countries for the World Food Programme (WFP). The 2014 Humanitarian Requirement Document (HRD) released in January by the Government of Ethiopia and the humanitarian community, estimates that 2.7 million Ethiopians need food assistance in 2014 due to droughts and other short-term shocks.

With health service coverage of 25 percent of the rural population, 80 percent morbidity in Ethiopia is due to preventable communicable and nutritional diseases (Chaya, 2007). More than 90 percent of births in Ethiopia take place at home, only 30 percent of Ethiopian mothers receive maternity health services (Chaya, 2007). In the past ten years, life expectancy at birth improved from 55 to 63 years (World Bank, 2014). With a ratio of physicians to population standing at 3 per 100,000(Index Mundi, 2009), child mortality rate, under the age of 1 per 1000, is around 68(World Bank Report, 2014), Yet it remains one of the world's least developed countries, ranked 174 out of 187 in the 2011 United Nations Development Programme (UNDP), Human Development Index (HDI) and 70 out of 76 in the 2012 Global Hunger Index. The pro-poor developmental programmes have led to 10 percent reduction in population living under national poverty line in a decade, however, poverty is deep that still about 29 percent of the population lives below the national poverty line.[16]While primary school enrolment has recently reached 87 percent and is expected to be universal by the end of 2015(World Bank Report, 2014),the 2005 demography and health survey result (CSA,2005)showed that 52 percent of males and 67 percent of females have never attended school, and 32 percent of males and 25 percent of females have only some primary education. Only 8 percent of males and 5 percent of females have attended, but not completed secondary education. Only 3 percent of males and 2 or less percent of females have completed secondary school or higher. Gross primary school enrolment ratio was 55.1 percent in 2000 and to 97.8 percent in 2008(World Bank, 2014).

However, on the economic front, in recent years, Ethiopia has achieved remarkable progress. One of the ten fastest growing economies in the World Bank, 2013), Ethiopia has recorded double-digit growth rates for the entire decade in a row making it Africa's fastest growing non-oil producer. Despite the deep worries regarding sustainability of the growth, various forecasts, including by international and regional development and financial institutions such as the World Bank and International Monetary Fund (IMF), have confirmed and hailed the "high" economic growth rate Ethiopia has registered (World Bank, 2013).

They further confirmed that Ethiopia's growth will continue to be one of the fastest in the World. According to the World Bank data for 2013, Ethiopia had a GDP growth rate of 8.7percent in 2010(World Bank,2013).In the past seven years it has registered a 10.4 percent growth in 2013 alone and the total GDP has reached $46.87 billion. With close to USD 47 billion GDP in 2013, Ethiopia's economy is expected to be one of the top five economies in Africa very soon(World Bank,2013).It is also expected to continue to be in this list for the coming 40 years. This constitutes an average annual per capita income growth rate of 3.65percent. Ethiopia is also appreciated for its efforts in the United Nations Millennium Development Goals (MDGs) and has made great strides in terms of meeting its targets in health and education.

As per the 2014 estimations, Ethiopia is among the few countries in Africa that are likely to achieve the Millennium Development Goals(World Bank,2010),if not on schedule then soon after(CIA World Fact Book, 2014). Ethiopia has achieved tremendous result in pulling millions of its citizens out of severe poverty since the country began implementation of the integrated development plans in 2002.National poverty rate (World Bank, 2004), poverty head count ratio at national poverty line, percentage of total population was 29.9 in 2011, a sharp improvement from the 45.5 in 1996 and 44.2 in 2000(World Bank, 2014). Education is where the strongest improvements have been observed in Ethiopia recently. In 1994-95 approximately 3 million pupils were in primary school, but in 2008-09, the number increased to be 15.5 million – an increase of over 500 percent (Engel and Rose, 2010). The positive impacts of this growth, however, have been seriously diminished by the high inflation, which was more than 40 per cent in 2010 and 2011(IMF and IDA, 2011).Ethiopia's predictive, preventive and responsive capabilities to famine has helped in the reduction of drought turning into famine and deaths of the biblical proportions Ethiopians have faced and the world has witnessed.

The Political Economy of Ethiopian: the 1970s Student Movement and its dominant political framework

An offshoot of the Student Movement of 1970sthat played an irreplaceable in the 1974 Ethiopian Revolution that toppled Emperor Haile Selassie, governance under the EPRDF-led government is ideological driven. The veteran leadership of EPRDF considers itself as a continuity of the 1970s Ethiopian Student Movement. Five vital characteristics of the Student Movement were 1)'the question of nationalities' (a popular name for the 1960s struggle against ethno-linguistic domination in Ethiopia, famously referred to as 'Ye Biher Bihereseb Tiyaque' in Amharic language of Ethiopia), 2) the 'land question', (in Amharic known as 'Ye Meriyet Tiyaque' or 'Land to the Tiller' 'Meret La Rashu'), 3) the unquestioning support for Marxist-Leninist ideology, 4) extreme intolerance to any form of dissent, and 5) high commitment to public service(Mehari, 2004). When EPRDF seized the commanding heights of power in Ethiopia in 1991, despite the continued bitter debate between the different strands of the 1970s Student Movement the Federal Constitution stipulated the State ownership of the land and federalism as an institutional form for the protection, expression, and promotion of nationalities (Mehari, 2004).EPRDF Federal Constitution has been ruling the country for the past 23 years and is known for its strong support to Article 9 (sovereignty of ethno-cultural communities), Article 39 (the right to self-determination and secession), and Article 40 (collective ownership of land) of the Federal Constitution. Now, EPRDF as the only heir in power is almost synonymous with ethno-linguistic federalism, the right to secession and collective land ownership. Many of its supporters would not recognised EPRDF, if it was to change its political stance on these constitutional provisions. While certain on the need to dismantle the imperial and later on the military regimes of Ethiopia, EPRDF was less clear on the kind of political economy it planned to establish. The end of the Cold War forced EPRDF to abruptly abandon its long-held Marxist-Leninist ideology of State and society. EPRDF, albeit and to unofficially and perhaps also tactically embrace market-friendly governance in the early 1990s. Highly pragmatist in retaining and maintaining political power, EPRDF has gone through along-metamorphosis from Revolutionary Democracy to Democratic Developmental State. According to its stated goals, the ruling party aims at building a free market economy whereby rapid economic growth is guaranteed, the people are genuine beneficiaries of growth and development and the share and position of the country in the global economy is improved to ensure the country's economic independence. An ideology called Revolutionary Democracy mixes priority for the rights of cultural communities, a federal arrangement based on these groups' rights, State ownership of land and a public sector led economy mainly reflecting Article 39 and Article 40 of the Federal Constitution.

Developmental Political Party: towards UNDP-like State?

Convinced that the Federal Constitution has addressed long-standing political questions of the 1970s Student Movement, the EPRDF chose to focus on poverty eradication as its primary mission and looked to the east for inspiration on developmental service delivery,. China and South Korea in particular provided the inspirational blue print on which EPRDF based its economic model albeit with some adjustments to reflect Ethiopia's historical, cultural and other national peculiarities. With some authoritarian or Marxist leaning dominants parties at some time in their history, these are countries with a highly dominant ethnic community and less heterogeneous in diversity than Ethiopia has. Ethiopia looks more like India with its large diverse population, economically emerging democratic State ruled sometimes for long time under the Congress Party.

In general, developmental States emphasize the delivery of public services over democracy of political space. Encroaching into the space of the private sector in market economy, the developmental State, as conceptualized by EPRDF, not only provides the legislative, regulatory and enforcement mechanisms within which the market operates, but determines also the end state, and defines the direction of the political economy, and transitionally providing a lead for all public and private actors engaged in economic activities. Accordingly, state not only monopolizes the means and use of violence, norm setting mandates, regulatory and enforcement powers, but also the economic space of the country. Thus, EPRDF's developmental state reverses the traditional capitalist conception of the respective roles of the public and private sector in the economy. In a market economy the state intervenes to correct market failure. In the developmental Ethiopian state, while the state invests, the private sector intervenes to complement the public investment and economic actions of the state. In a nutshell, the private sector fills the 'state gaps' in the economy. Developmental state dominates the economy, whereas the private sector plays a supportive role.

Rooted in the 1970s Student Movement, some political coalitions such as the opposition Forum for Federal Dialogue (commonly referred as MEDREK in Amharic) share a similar ideological outlook with the ruling party. Other opposition parties led by political who are members of a new generation such as Ethiopians Democratic Party (EDP), Unity for Democracy and Justice (UDJ), and Blue Party embrace a more liberal democracy and capitalist economy ideology, and they significantly differ in their positions from those with roots in the '70s Student Movement. They prioritise individual rights, land private ownership and market-led economy. The intense political debate on the recent large size land-leasing and land-grabbing highlights the longstanding political divide on land ownership and its implications for political and economic power in the country (IRIN, 2011). For EPRDF, the State ownership of land and the emphasis on group rights are logically culmination of the 'national questions' of the Student Movement and armed struggle that followed. Through enabling State ownership of the land and adopting a federal system, EPRDF believes that it has fulfilled the core demands of the Student Movement. It believes that peace and economic development of Ethiopia could only be achieved through federal arrangements and protection of the overwhelming agrarian population from displacement due to dispossession of its land. For the opposition political parties, EPRDF's land and federal policy are a means to maintain power by controlling land--the vital means of economic activity for the overwhelming majority of Ethiopian agrarian community.

On some of the critical aspects of political and economic governance such as federalism, employment and infrastructural development, it is hard to discern distinctive visions between opposition and ruling party except for some differences related to implementation. However, a major difference is represented by the decision of EPRDF to support the secession of Eritrea, opposed by all opposition parties and that has resulted in Ethiopia becoming landlocked.. Despite some minor difference on the means, they all believe Ethiopia has the right to have access to the sea and declare that they will struggle towards this end.

Ethiopia: PPP in a Developmental State

In developmental state of Ethiopia, while the state runs and invests in the public sector, the private sector intervenes. With an ultimate aim of making Ethiopia a Birr 1.7 trillion (USD 85 billion) economy and sustain the accelerated economic growth, in 2010, the Government of Ethiopia launched its Growth and Transformation Plan (widely known as GTP) phase one in 2010- with an objective of maintaining at least an average real GDP growth rate of 11percentper annum and meet the Millennium Development Goals. The government of Ethiopia has declared that the economy has reached Birr 1.5 trillion (USD 70 bln). It focuses on the transformation through massive expansion of the economy and to scale up of existing programmes in education, health, and infrastructure and governance social sectors. When it comes to PPP, there is huge gap between the policy and practice. GTP calls for private sector led economic growth through: (1) support for development of large scale commercial agriculture, (2) creation of favourable conditions and extension of incentives for export oriented and import substituting industries, particularly the sugar, textile and cement industries, and (3) enhancing expansion and quality of infrastructural development including, among others, road networks, rain way lines, electricity supply and telecommunication (MoFED, 2010). In practice, the public sector dominates the economic spaces.

Four sets of actors play a role in the Ethiopian economy: the state public sector, the informal sector including the smallholders, which constitutes 42 percent of the GDP, the Foreign Directed Investment (private firms, public enterprises and Sovereign Funds), and the domestic private sector. Public investment provides the foundation for the soft and hard infrastructure for the economic development of the country. The government not only invests on basic public services such as roads, railway, energy, water, but also on industries it calls 'strategic' for the development and stability of the country including information and communication, finance and banking, transportation, steel and metal engineering, sugar production etc. The government runs most public and some of the vital traditionally privately run industries (MoFED, 2010).Moreover, the four EPRDF member parties *(EPRDF is a coalition of four ethnic based parties which represents the majority of the population)* and some of the regional States have business established as endowments but are run by the member parties of the EPRDF.

In addition to the massive State investment, the Ministry of National Defense runs the Military Industry's business called Metals and Engineering Corporation initially worth of USD 500 million which manages large projects of the public sector. The ruling party affiliated enterprises such as Endowment Fund for Rehabilitation of Tigrai (EFFORT) of the Tigraian People Liberation Front (TPLF), Biftu Dinsho of the Oromo People Democratic Organization (OPDO), Wondo of the Southern Ethiopia People Democratic Movement (SEPDM) and Tiret of the Amhara Nationalist Democractic Movement (ANDM) as well as Mohammed International Development Research and Organization Companies (MIDROC) comprising 41 companies owned by the Ethio-Saudi tycoon Sheikh Mohammed Hussein Al Amoudi (worth of USD 12 billion) constitute the largest share of the domestic private sectors. Established in 1987, EFFORT, an EFFORT, is one of the biggest conglomerates in the country with an estimated capital of two billion Birr. The EFFORT is currently involved in six major sectors namely manufacturing, service, merchandize, construction, mining and agriculture (EFFORT, 2014). Some of the endowment established in the name of the public but run by political parties, and some very big private ownership like the MIDROC, are huge both in size and impact on the economy.

Fombad Madeleine defines Public-Private Partnership (PPP) as "working arrangements based on a mutual commitment (over and above that implied in any contract) between a public sector organization with any organization outside of the public sector"(Madeleine, 2013). Kwame Asubonteng similarly defines PPP as an "arrangement between a public body and a private party or parties (including community beneficiaries) for the purpose of designing, financing, building and operating an infrastructure facility that would normally be provided by the public sector. In other words, PPP is a contractual agreement between a governmental organization and a private party whereby the latter performs whole or certain parts of the government organization's service delivery, infrastructure provision or administrative function, and assumes the associated risks. In return, the private party receives a fee, which may take the form of user charges or direct payments from the government in accordance with the pre-defined performance criteria" (Asubonteng, 2011). In relation to accountability, Nutavoot Pongsiri states "a public-private partnership can be seen as an appropriate institutional means of dealing with particular sources of market failure by creating a perception of equity and mutual accountability in transactions between public and private organizations through co-operative behaviour. The relative merit of the idea of public-private partnership is oriented mainly around a mutual benefit" (Pongsiri, 2002).

In terms of institutional framework, probably the only private sector led institution that established to promote PPP is the Ethiopian Public Private Consultative Forum (EPPCF) organized under Addis Ababa Chamber of Commerce and Sectoral Association (AACSA). A young, yet vibrant institution solely dedicated for PPP, supported by the government, the private sector and international financial governance institutions, it provides a platform for dialogue and improvement of the PPP in Ethiopia (EPPCF, 2014). So far, EPPCF has conducted nine dialogues including its annual flagship, the National Business Conference (NBC). Chaired by the Prime Minister of Ethiopia, the NBCs have led to a number of reforms including on customs procedures, removing cumbersome company registration procedures, improvement in business licensing and registration processes, and the establishment of a new Tourism Council (EPPCF, 2014).

GOVERNANCE AND DEMOCRATIZATION: Mixed Performance

Federal Policy: *Addressing National Civil War, More Localized Conflicts*

Ethiopia was home of more than a dozen ethnic based secessionist groups in the early 1990s when the ruling Ethiopian People Revolutionary Democratic Front (EPRDF) took control of Addis Ababa. With more than 85 ethnic communities with different languages or dialects that make up its 94 million inhabitants, Ethiopia is the second most-populous and diverse African country after Nigeria. At present the country has nine regional States demarcated mainly along language lines and two cities (Addis Ababa and the Dire-Dawa) under the federal administrations. Yet Ethiopia has religious diversity as well: Christianity and Islam are the largest religions, and traditional faiths, Judaism and a number of other religions are also practiced. In little more than 50 years, Ethiopia has undergone transitions from absolute monarchy to socialist dictatorship to dominant party democracy, while having to cope with several famines and wars. From the fourth century A.D. to 1974, Ethiopia was ruled as a Christian monarchy. When the last emperor, Haile Selassie I, was overthrown in 1974, a Marxist-Leninist military group, the Derg, led by Colonel Mengistu Haile Mariam, set up a single-party communist State. Ethiopian Peoples' Revolutionary Democratic Front (EPRDF) overthrew this regime in 1991 when a new federal charter and then constitution was adopted. As non-ideal as it is, in 1995 ethnic federalism was seen as the best peaceful constitutional instrument to hold the country together..(Mehari, 2010)·

Any constitutional institution as a politico-legal and social constructs has 'to reflect the history and culture of the society, its level of economic development and social structure, ethno-linguistic composition, and most importantly the goal of its leaders' (Samuel, 1993).And it has to be noted that 'political parties reflect the principal social identities and cleavages within society. In Ethiopia the principal cleavage appears to be ethno-linguistic [...] and regional [cleavages]' (Samuel, 1993). Given this division and the ethno-linguistic heterogeneity of Ethiopia, majoritarian democracy would have furthered ethno-linguistic domination and disintegration because the majority (majority by power but not necessarily by number) ethno-linguistic group would remain in power permanently and the minorities will be in opposition or at the benign concessions of power from those in power.

Consociational democracy, where ethno-linguistic communities would be meaningfully represented in all government institutions, was one of the options considered by the drafters of the Federal Constitution. The Federal Constitution is a constitution under which ethno-cultural communities are first, the ultimate sovereign entities where constitutional power of both federal and regional states rest. They are, second, constitutionally entitled to establish regional state or their own state independent from Ethiopia. Ethiopian federal system is intended to serve as tool to contain disintegrative forces and to create a balance between forces of unity and diversity. It was adopted to address concerns of the forces of diversity and to avert the secession inclinations. To address this question, Article 39 of the Federal Constitution stipulates that every ethno-cultural community has its own regional State and territory. Accordingly, there are nine regional States.

The Ethiopian federal system is the object of criticism from opposing points of view. Some characterize it as pro-secession, whilst others portray it as detrimental to the self determination of ethno-linguistic communities, with the intention of continuing the hegemonic domination that prevailed for a long time in Ethiopia. Some Ethiopian scholars such as Ali Said (1998) argue that more devolution of the economy, as in the area of political power, is necessary if Ethiopia is to remain peaceful. I
The first line of criticism opposes ethno-linguistic federalism and the Federal Constitution; the latter demands a full implementation. What is particular to Ethiopian federalism is that the right to self-determination up to secession may prevent the central government from tyrannical inclinations and discriminatory treatment of ethno-cultural communities.

Some scholars, for example Gamest and institutions such as the International Crisis Group, have commented that the adoption of Ethiopian federalism was a 'fundamental error' because it is based on ethnicity and will 'deeply imprint' ethno-linguistic identity(Mehari,2004). In Ethiopia, such identities were already deeply imprinted before the adoption of ethno-linguistic federalism in 1994 as a result of historical patterns of domination. Politicization of ethno-linguistic groups or ethnicization of Ethiopian politics has not been instigated by the promulgation of the Federal Constitution; it is an outcome of a long political history. What is new is that ethnically based political mobilization and power sharing are now constitutionally legitimized(Mehari,2004).It should be duly noted that liberation fronts mobilized on the basis of ethnicity were the major forces behind the change of the Derg and the framers of the Federal Constitution(Mehari,2006). In short, Ethiopian ethno-linguistic federalism is a response to the 'unfavourable conditions' to establish a unitary system. A reversal of constitutional rights of ethno-linguistic communities by either the central or local government would come at a high political cost.

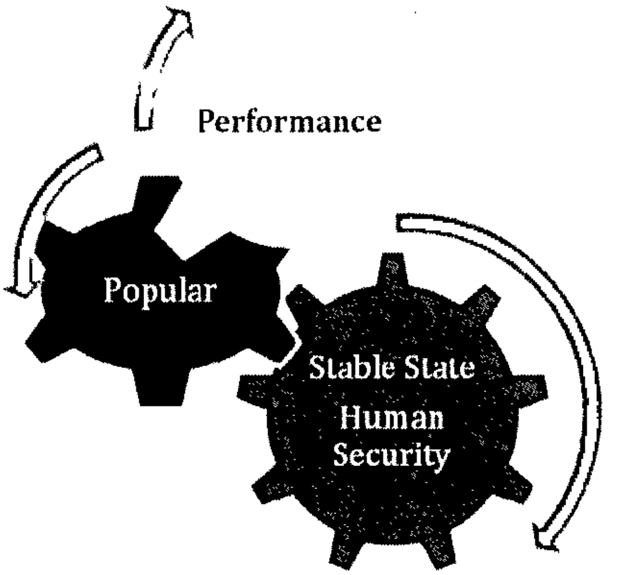
Ethiopia under international indexes

Indicating the grave challenges in the political front, under the Mo Ibrahim's Index of African Governance report 2010, Ethiopia ranks 35th of the 53 countries in the continent with a score of 44 out of 100; the top score being 83 for Mauritius and the least being 29 for Chad. In 2014, Ethiopia ranks 32ndof the 53 countries in the continent with a score of 48.5 out of 100; the top score being 81.7 for Mauritius and the least being 8.6 for Somalia.Ethiopia registered 2.1 points overall improvement in governance during the past five years. It has also progressed up by two levels in the ranking from 35th to 32nd. However, compared to significant others, the overall governance in Ethiopia is 3 points lower than average point at 48.5.In safety and rule of law, Ethiopia is still 1.7 points below the average 51.7 points, but it is the only country that has improved by 4.2 point in the past five years. Only in sustainable economic opportunity Ethiopia scores 5 points more than the average African score. It, nevertheless, was down by 1.4 points in the past five years. As a developmental State, if this decrease in score continues, it would mean grave weakness EPRDF's main source of legitimacy which is delivery of sustainable economic opportunity. However, Ethiopia fares even better than South Korea and the US in the Economic Intelligence Unit (EIU) index for political instability (EIU, 2009).

According to the 2009 EIU Report, Ethiopia is in 116th with 5.1 index score, achieving better than France, Spain and Brazil (EIU, 2009).Indicative of the democracy deficit Ethiopia faces, political participation and human rights protection is 13.2 points lower than the average point of African countries. In the past five years, overall performance in participation and human rights protection has deteriorated by 0.2 points. This does not consider actually the low level of political competition in the country since the 2005 elections.

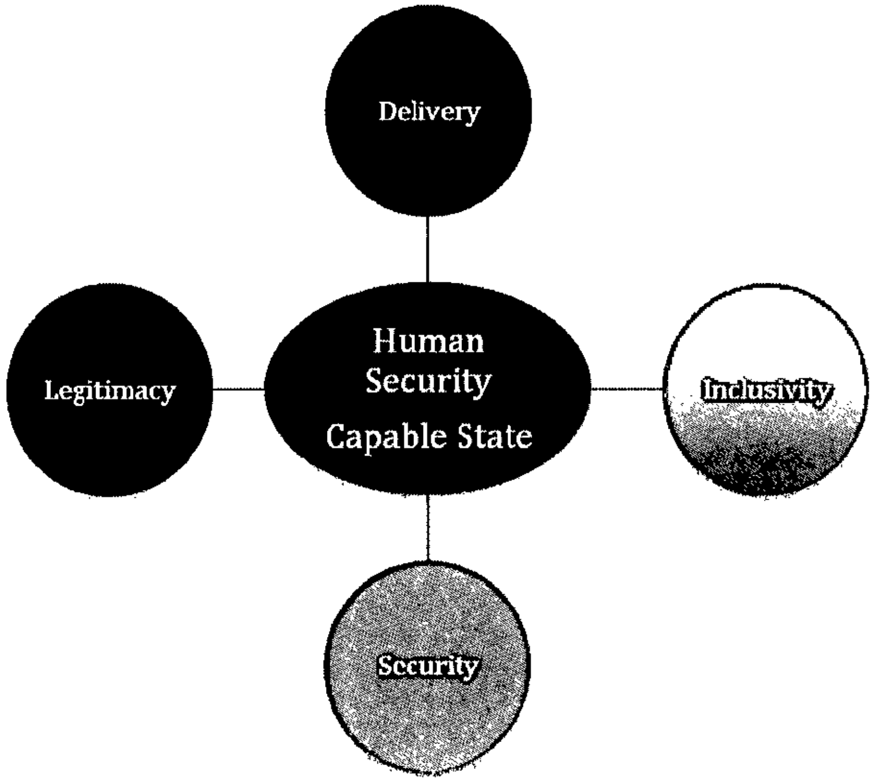
The methodology and definition of democratic governance and State fragility varies from institutions to institutions based on their mission and core functions and through which prism they would like to see countries including The (World Bank (2013), the National Democratic Institute (NDI, 2013),and the Global Policy Forum (2014), Economic Intelligence Unit (2009), and Foreign Policy Magazine (2014).
Common factors to all these indexes on democratic governance and fragility are the following six: 1) instability and violent conflicts, 2) extreme poverty, 3) weak and irresponsive governance, 4) exclusive development, 5) group-based grievances, and 6) highly fragmented political, military and economic elite. While Ethiopia has significantly improved in its political stability and reduced most of the national level conflicts, it has many localized violent conflicts. Competitive elections have not been used yet to promote changes in power, succession of leadership within the ruling party EPRDF has been conducted peacefully with the passing of the late Prime Minister Meles Zenawi.

The government's peace and security agencies and regulatory and enforcement institutions are relatively strong and effective. They have high responsive and adaptive capacities, with limited preventive capabilities. They gravely lack predictive capabilities. The recent increases in revenue collection capacity and actual collection, radical devolution of power to districts and extensive civil service reform programme have yielded some results albeit serious gaps still looming large. As discussed above, Ethiopia has done well in reducing extreme poverty. While income inequality has surged recently and could be a cause for social unrest, Ethiopia is the third least unequal country in Africa. Moreover, its pro-poor development policy including safety-net, agricultural and health extension programmes as well as small enterprises have been appreciated by the UN agencies and other global institutions. The developmental State of Ethiopia aims at becoming UNDP-like service delivery government. A by-product of this delivery focused politics has undermined and deflated the focus needed on legitimate and democratic governance, and in particular the need for political contestation on political vision. For a government banking its legitimacy on performance, the potential for widespread 'delivery protests' is high when government for some reason fails to meet the demand for the quality and quantity delivery.



Source: Mehari 2011

Despite improvements in governance effectiveness and minority rights, addressing major sources of conflicts in pervious regimes, the political space is characterized by the fear of politics and a politics of fear. Challenges related to human rights, political competition, legitimate exercise of power and responsiveness of governance present clear danger to Ethiopia's peace and development. A stable State capable of ensuring the human security of its population needs not only to deliver basic services to its citizens but also inclusivity in the distribution of services. Despite the contribution of delivery to the 'performance legitimacy' a state main enjoy, nevertheless, State power have attained and maintained through 'popular legitimacy' of some form. Deficient in popular legitimacy, Ethiopian developmental State banks on delivery capability for its performance legitimacy. Durable as it may be, in the long-term delivery and democracy needs to be calibrated based on growing middle class and popular demands.



Source: Mehari 2011

Elections in Ethiopia: the democracy deficit

Since the end of the military rule of Dergue in 1991, Ethiopia has conducted six nation-wide elections. Composed of political and liberation movements that toppled the Dergue, the Transitional Government of Ethiopia was established in 1991. In May 1992 elections of national, regional and *Woreda* (district) levels council members were held. The Constitutional Assembly that adopted the Constitution of the Federal Democratic Republic of Ethiopia (Federal Constitution) was elected in May 1994. Under the Federal Constitution four multiparty elections were conducted in 1995, 2000, 2005 and 2010. Considered as the most competitive, the 2005 election led to disputes of result and to violence.

Year	No. Voters Registered	No. Votes Cast	No. Contending Parties	No. Political Parties that won seats
1995	21,337,379	19,986,179	57	43
2000	21,834,806	19,607,861	49	42
2005	27,372,888	22,610,690	35	29
2010	31,926,520	29,832,190	63	6

Source: NEBE

Since then several discussions have taken place on the need to carry out significant reform of the National Electoral Board of Ethiopia (NEBE). Consequently, the House of Peoples' Representatives (the House) and NEBE have carried out several legislative, policy and institutional reforms of the NEBE including Business Process Re-engineering. As part of these reforms, in 2007, the Amendment to the Electoral Laws of Ethiopia was followed by the new appointments of the Board members and the Chief Executive and Deputy Chief Executives of the Secretariat of the NEBE. As local elections, including in Addis Ababa and Dire Dawa, were conducted in 2013, the 2015 election will elect for the first time exclusively representatives to the House and Regional Councils.

Common Complaints in Ethiopian Elections

Election related complaints in Ethiopia are pervasive (NEBE, 2002). The complaints include detention or physical attacks against candidates and supporters of a particular party or candidate. Accusations and complaints of intimidation and harassment among factions of a political party or between political parties are also rampant. Other complaints concern delays and denial of issuance of election related documents such as candidate ID cards and voter's cards, termination of work contracts of public servants nominated as candidates, confiscation of property of a candidate, stamp and symbol related complaints within parties or by parties against candidates. NEBE and some of its officials are also accused of partiality or membership to political parties, lack of transparency in the selections of public observers and delay in responses to grievances. NEBE, in its Post-Election Report of 2011 (Mehari, 2014)has also identified the major shortcomings and challenges it faces. Some relate to accessibility and security of polling stations, partisanship manifested by some election officials and public observers, inadequacies related to women participation, limitations in the election officials in understanding the election laws, limited accessibility of branch NEBE offices, financial constraints faced by contending parties and disbursement delays by election officials, and limitations in the recruitment and vetting process of election officials.

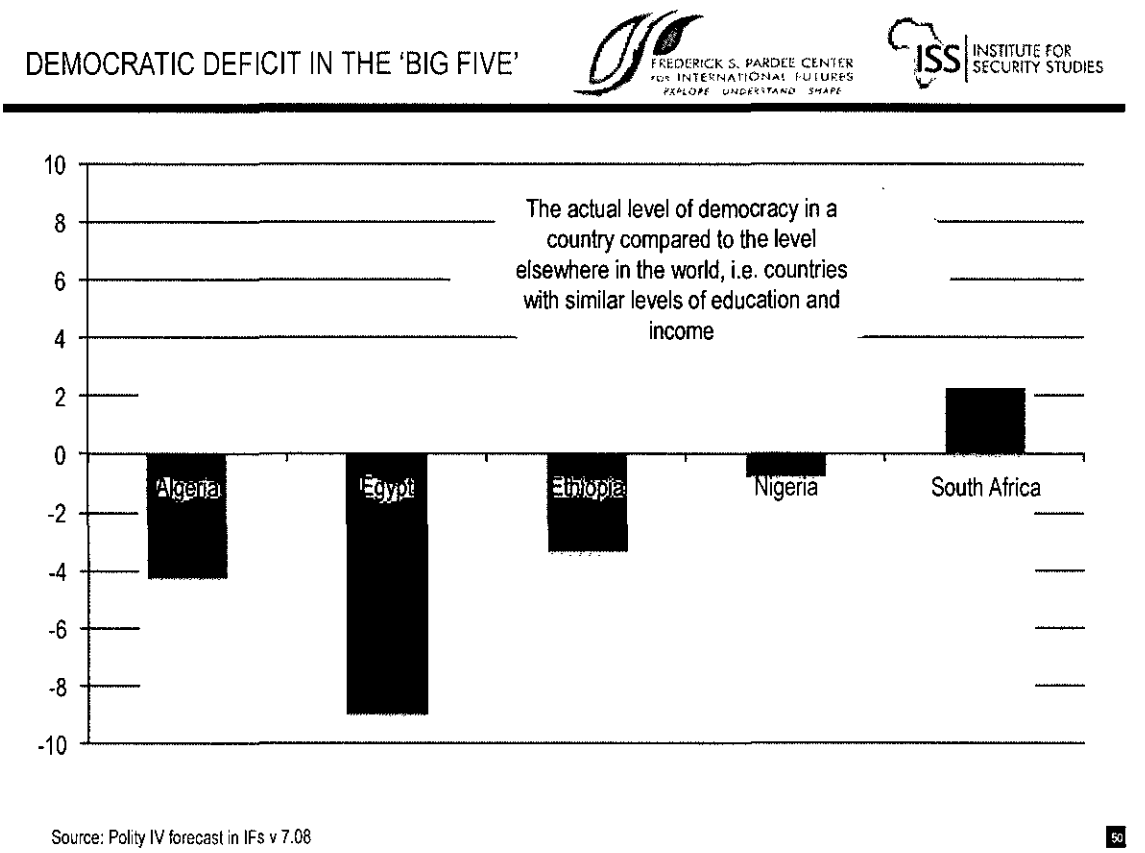
From 2010 General Elections and Projects for 2015: *The figures and facts*

Population:	**79.4 million**
Projected in 2015:	**96.2 million (CSA,2007)**
Estimated eligible voters:	**38 million**
Projected eligible voters:	**47 million**
No of registered:	**31,926,520**

(84percent of the estimated eligible voters)	
Voters turn out:	29,832,190
(93.4percent of the registered)	
Seats in the House:	547
No. of party candidates for the House:	2,188 (12.4percent) female
Seats in the Regional Councils:	1904
No. of party candidates for Councils:	4,746(15.3percent female)
No. Independent candidates:	45 (6.6 percent female)
Total no of political parties:	76
Total no of candidates:	6,979
No of polling stations:	45,000
No of electoral officers:	225,000
No of public observers:	225,000
CSOs (mainly mass based organizations) observers:	41,000 from 16 CSOs
EU Observers	170
AU Observers	59
Total allocated fund:	USD 13 million (Birr 227,000,000)

Source: NEBE

Ethiopia's political situation has evolved since the political crisis that followed the 2005 elections. The Ethiopian Parliament passed three widely criticized laws to regulate civil society organizations (CSOs), the press and to counter terrorism. While many CSOs had long argued for a new and coherent framework, the new law is restrictive in demarcating areas of operations for different types of CSOs (for example by excluding those receiving more than 10percent of funding from external sources from many areas of activity). The government and the Development Assistance Group (DAG), comprising bilateral and multilateral donors, have agreed that the implementation of the CSO law will be reviewed regularly through their joint High-Level Forum structure. The national elections under a multi-party political system that were held in May 2010 and the local election of April 2008 were generally peaceful but uncompetitive. The ruling EPRDF emerged with all but two seats in the House of Parliament, which narrowed the space for political opposition (CSA, 2007). The next national elections are due in May 2015. IGAD, applying its recent norms on elections, need to help Ethiopia ensure that the election is peaceful, free, fair and competitive.



Source: Africa Futures, ISS

Ethiopia in the IGAD region: the only and the most trusted pacifying factor?

Compared to the other IGAD member States, Ethiopia is not only doing well but it remains the fulcrum upon which the peace and security of the region depends. Three of Ethiopia's neighbouring countries are among the top five failed States in Foreign Policy magazine index for the year 2013(Foreign Policy, 2013). Ethiopia's eastern neighbour, Somalia has been declared as a failed State since the beginning of 1990s. Its western neighbour, the world's newest nation, South Sudan has also been gripped by deeper political quagmire since the end of 2013 and sadly many fears it may follow Somalia's footsteps in the near future, unless the current IGAD-led mediation saves it. Somalia stood 1st with 113.9 index score and Sudan and South Sudan are in third and fourth with 111 and 110.6 points respectively (Foreign Policy, 2013). Similarly, according to the Fund for Peace 2014, South Sudan stood first followed by Somalia by 112.9 and 112.6 index points respectively (Fund for Peace, 2014). In this list, Sudan stands in fifth with 110.1 points. Sliding fast into fragmentation, a patch of peace agreements and sporadic failed coalition governments governs Sudan. Its north neighbour and former province, Eritrea has been reduced into 'garrison State' ruled by perpetual fear mongering paranoid State(Fund for Peace, 2014).Ethiopia is ranked 19th in this list with 98.9 point(Fund for Peace, 2014).

PEACE AND SECURITY: Main factors for insecurity and instability

In this section we assess the main factors of instability and insecurity in Ethiopia.

External Threats:

Terrorism and Violent Extremism: Al Shabaab and beyond

Ethiopia has always been facing serious external insecurity and instability challenges. The spillover effects of several conflicts in the Horn Africa region and neighbouring States have negatively impacted the nation. External threats include terrorism, extremism, ethnic violence and droughts. Particularly relevant is the threat posed by the Somali extremist group Al Shabaab.

In recent years while losing most of its territory and leadership, The Harakat Shabaab al-Mujahidin—commonly known as Al Shabaab succeeded to widen its scope across Somalia. The group has also conducted repeated attacks in Kenya, Uganda, and in Djibouti. Since October 2011, Ethiopia and Kenya conducted joint military operations in Somalia and officially contributed troops to the AMISOM (AMISOM, 2014).Thanks to the efficiency and effectiveness of the Ethiopian security forces, the group has not been able to inflict any damage to the country, but the threat of terrorist attacks within Ethiopia and to its interests remains persistent.

Eritrea and Its Nation Building Process based on Animosity and Exploitation of Neighbours

Eritrea, despite its degenerated military, economic and diplomatic capabilities, remains a threat until a change of behaviour or regime occurs in Asmara. The animosity erupted after a bloody border war between the two countries from 1998 to2000, led the two countries to remain their troops standstill even after the verdict has passed on the disputed border territories. In fact Eritrea, which has been declining in military, economy and diplomacy on the face of its 'arch enemy' Ethiopia, left with no choice than engaging in a proxy war by aligning with all sorts of Ethiopia's enemies. Currently, Asmara is the home for strange mix of armed forces aiming at toppling EPRDF-led Ethiopian government. Eritrea hosts, training and supports "unitarist" armed groups such as Ginbot 7, Ethiopian People Patriotic

Front, who strategically are opposed to Eritrean independence from Ethiopia, whole at the same time it extends similar support to ethnic based secessionist groups including Oromo Liberation Front (OLF), Ogaden Nationalist Liberation Front (ONLF), Afar People Liberation Front (APLF) and Tigray People Democratic Movement (TPDM)(UN-PSC, 2009).

As extension of its border war, Eritrea supported radical groups such as Union of Islamic Courts (UIC) and Al Shabaab in Somalia since 1998. However, the tactical alliance the regime in Asmara has tried to build is crumbling fast and Eritrea paid dearly. The United Nations Security Council so far passed two sanctions against Eritrea and Al Shabaab. The United Nations Security Council Resolution 1907, adopted on December 23, 2009, imposed an arms embargo on Eritrea, travel bans on its leaders, and froze the assets of some of the country's political and military officials after accusing the Eritrean government of aiding AlShabaab in Somalia and reportedly refusing to withdraw troops from its disputed border with Djibouti, following a conflict in 2008(UN-PSC, 2009). The UNSC again in December 2011 placed additional sanctions on Eritrea for continuing to provide support to armed groups seeking to destabilize Somalia and other parts of the Horn of Africa, building on the arms and travel embargoes it imposed exactly two years ago(UN-News, 2011).The UNSC has also condemned the alleged terrorist attack planned by Eritrea on January 2011 to disrupt the AU summit in Addis Ababa. A testament on surge in Ethiopia's capability to make effective to use of multilateral diplomatic platforms the sanctions were imposed by UNSC initiation by IGAD and endorsement by the AU (Mehari, 2014). With highly weakened military and an ill leader, Eritrea's will and capacity for war with Ethiopia has been muted.

Internal Threats:

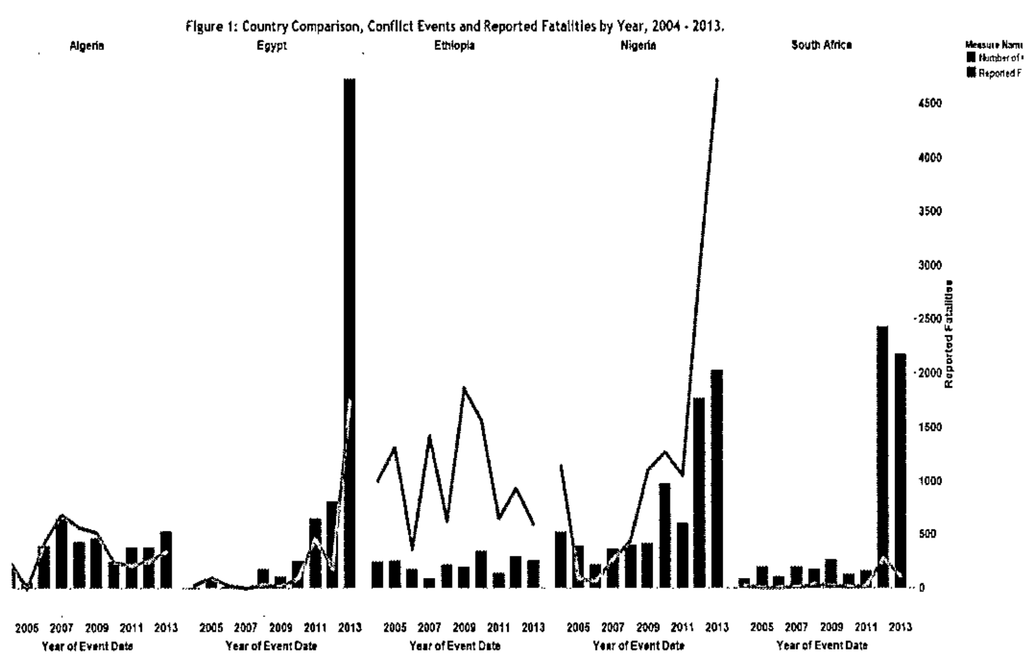
Insurgency

Ethiopia suffers from several conflicts at local level due to a combination of factors. An analysis of violent conflicts in different States of Ethiopia indicates that many conflicting parties are involved and are related with an intricate set of historical, religious, cultural, political and economic issues (Mehari, 2009). This makes peaceful resolution very hard to achieve.

A major negative and perhaps unintended consequence of ethno-linguistic federalism is that though it provides an effective antidote to tenacious conflicts rooted in ethno-linguistic identity at national level, it aggravates existing and spawns new, and perhaps no less difficult, conflicts. In some cases Ethiopian ethno-linguistic federalism has aggravated existing traditional problems such as ethno-linguistic domination of minorities within regional states and ethnic conflict for grazing land and water. Ethno-linguistic based federalism may also cause new kind of conflicts because borders and legitimate power sharing are based on 'politics of number' (Mehari, 2014). Claims and rights are to some degree ethnicized (Mehari, 2014).

Conflicts over control by ethno-linguistic communities, especially pastoralists, of resources such as arable and grazing lands, rivers and other natural domains have always existed but with the legally sanctioned ethno-linguistic borders they have been aggravated alongside legal contestations. The second negative consequence of ethno-linguistic federalism has to do with violations of minorities' rights and individual freedoms enjoyed in ethnically based administrative units. The federal arrangement has been also in addressing and defusing some of the secessionist and irredentist movements. In its 2013 report entitled 'Ethiopia: Prospects for Peace in Ogaden' the International Crisis Group has stated "an intense five-year, relatively successful government counter-insurgency campaign – have exhausted the local Ethiopian-Somali population sufficiently to push the ONLF back to the table"(ICG, 2013).

Conflict and Reported Fatalities in the Big 5



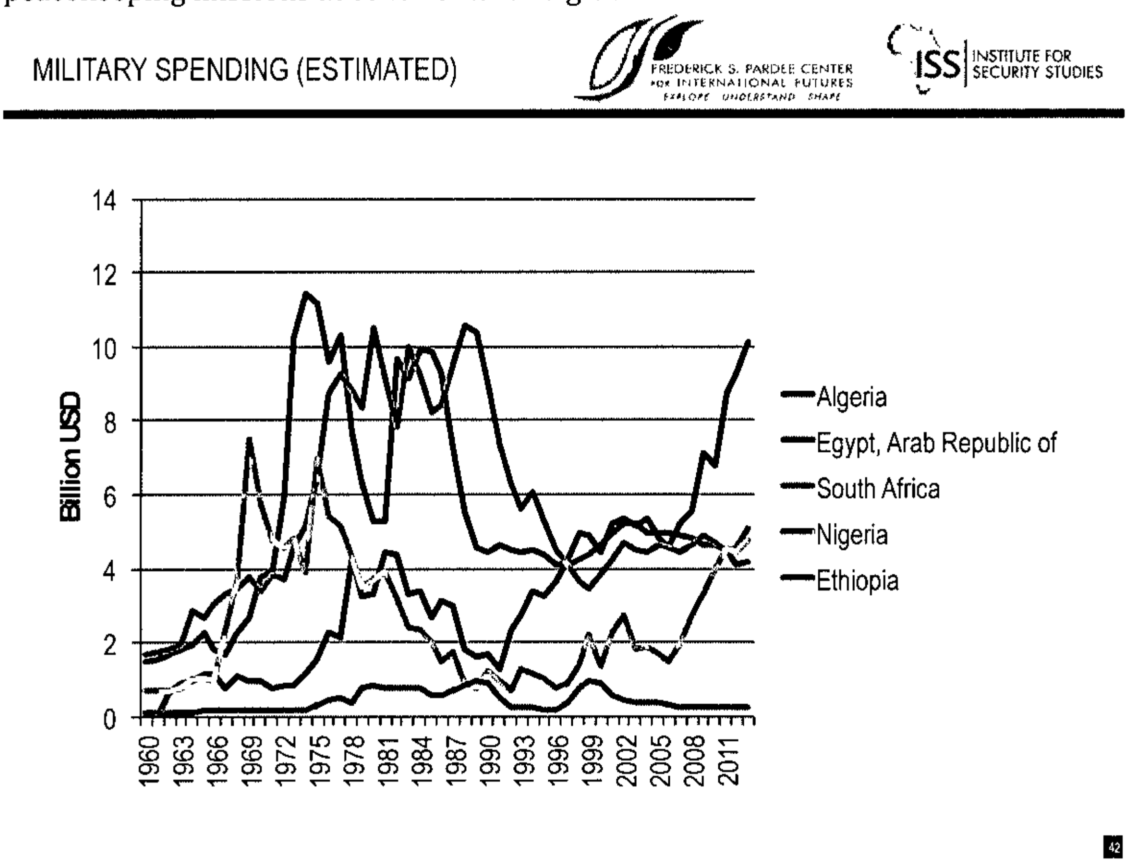
Source: Africa Futures, ISS

ETHIOPIA'S REGIONAL DIPLOMATIC AND INTEGRATIVE ROLE: Stability, Peace and Development

Ethiopia is considered an anchor country because it not only significantly improved its stability, registered promising economic development and built strong relations with neighbouring country, but also has become pivotal for the regional peace and security. The fact that Ethiopia has transformed from being a source of regional instability and famine to a force of peace and integration is by itself a considerable achievement. After thousands of years as an independent African country, Ethiopia has a long diplomatic history and rich experience in foreign relations (Smidt and Abreham).

While the regimes of Emperor Haile Selassie and Colonel Mengistu were outward looking in perspective, the current regime, first under Meles Zenawi and now under Haile Mariam Desalegne, is extremely inward looking. Colonel Mengistu's military regime externalized almost all the country's problems by focusing on, and building military defense capabilities against, the 'historical external enemies of Ethiopia'(Amare, 1989). Partially attributable to the Cold War, socialist ideology and protracted civil war under Colonel Mengistu, Ethiopia enjoyed much less trust and influence in Africa and elsewhere. For a long time, Ethiopia's main focus has been to address external threats and collaborate with regional and global actors for collective security. Rooted in its ideological thoughts about the root-causes of Ethiopia's internal troubles and possible solutions, the EPRDF-led government of the FDRE regarded regional diplomacy as a platform for solving regional challenges that affected Ethiopia's internal governance and development problems. However, the government regards economic development, stability and democratic governance as the country's domestic and national priorities (Amare, 1989). The FANSPS rightly and explicitly underscores that foreign policy is subservient to Ethiopia's internal policies.

While defense expenditure has drastically decreased, in terms of troop strength and equipment, Ethiopia's armed forces are ranked first in Sub-Saharan Africa, third (after Egypt and Algeria) in Africa and fortieth in the world.(Global Firepower, 2014). Ethiopia's military strength and role in regional peace and security, including its excellent track record in peacekeeping, counter-terrorism and mediation, creates demands for long-term partnerships and alliances in the region and beyond. As President Obama confirmed, "[...] in discussions with Ban Ki-moon yesterday, we discussed how critical it is for us to improve our effectiveness when it comes to peacekeeping and conflict resolution. And it turns out that Ethiopia may be one of the best in the world -- one of the largest contributors of peacekeeping; one of the most effective fighting forces when it comes to being placed in some very difficult situations and helping to resolve conflicts"(Obama, B. Remarks, 2014). Since the establishment of the UN, Ethiopia has successfully participated in more than ten peacekeeping missions at continental and global level.



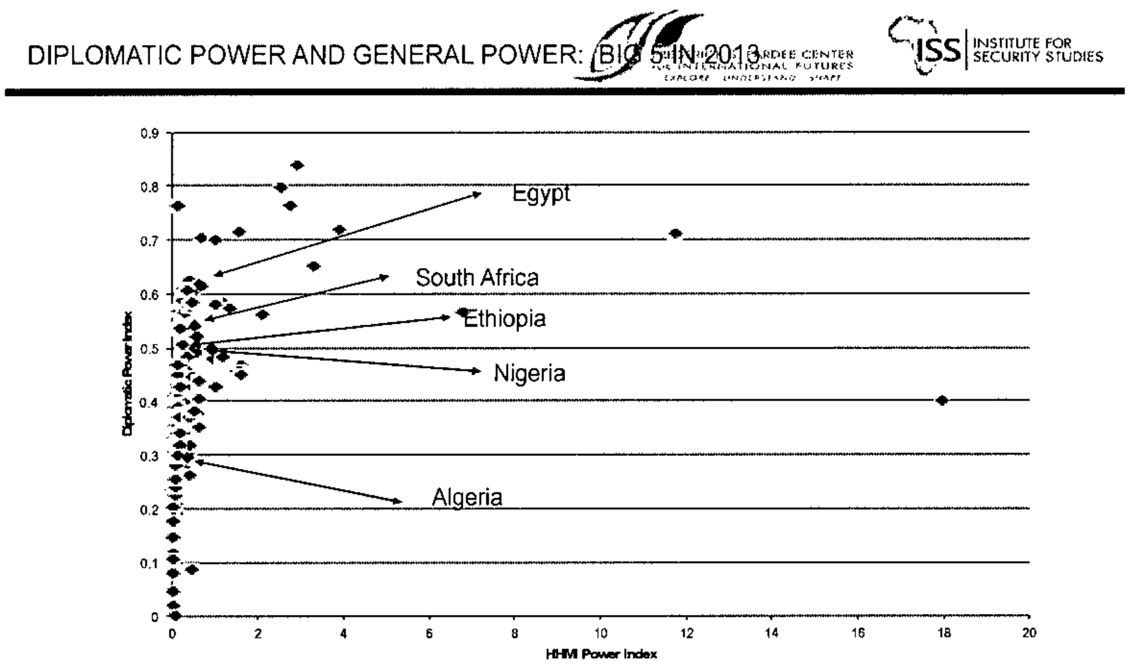
Source: Africa Futures, ISS

Currently, Ethiopia's troop contribution to peace support operations totals 12,247 troops (4,395 troops in the AU Mission in Somalia (AMISOM, 2014), and 7,852 in UN Missions) in Africa, making it the largest troop-contributing nation in the world. With 4,250 Ethiopian troops, unlike most peacekeeping missions UNISFA is entirely composed of Ethiopian troops. The Force Commanders of UNISFA and UNMISS have been Ethiopian Generals(Sudan Tribune, 2014).It is also the third largest contributor to UN Peacekeeping missions in Darfur –UNAMID (2,561 troops), Abyei-UNISFA (4,011 troops), South Sudan-UNMISS (1,265 troops), UNMIL (11 troops) and UNOCI (2 troops) -(UN, 2014).

Leadership in Multilateral Diplomacy

Since 2008, Ethiopia has been the chair of IGAD. Under Ethiopia's late Prime Minister, Ethiopia chaired NEPAD for almost eight years, and has represented Africa in the G7, G20 and World Climate Change Summit. As one of the leading founders and main architects of the Organization of African Unity (OAU), Ethiopia's rich history served as seedbed for Pan Africanism. This legacy sustained by an active participation, disciplined position and multilateral approach exudes confidence among its peers at the AU and IGAD. Since the early 1950s, Ethiopia has been playing a crucial role in mediation and peace processes in the region. Ethiopia helped in the resolution of the Nigerian-Biafran civil war (Reuters, 1957). Brokered by Emperor Haile Selassie of Ethiopia, in 1972, the Addis Ababa Agreement was signed between the Government of Sudan (GoS) and rebel groups in South Sudan. After 11 years, and the discovery of oil in the South in 1978, the conflict escalated between the GoS and the Sudan People's Liberation Movement (SPLM) led by the late John Garang (Gaili, 2004).Under IGAD's forerunner, the Intergovernmental Authority on Drought and Development (IGADD), Ethiopia launched a peace initiative on Sudan at its Addis Ababa summit of 7 September 1993, resulting in a Peace Committee made up of the heads of State of Ethiopia, Eritrea, Uganda, and Kenya. This initiative issued the 1994 Declaration of Principles (DOP) that aimed to identify the essential elements necessary for a just and comprehensive peace settlement to end the civil war in Sudan. In 2002, the GoS and SPLM/A signed the Comprehensive Peace Agreement (CPA) under the auspices the AU and IGAD. IGAD, at the initiative of Ethiopia, promoted the CPA and later worked closely with partners such as the USA, EU and the UN, towards the implementation of the CPA.

Ethiopia's role was also critical to the establishment and continued work of the AU-High-level Implementation Panel (AUHIP) and the appointment of Mr Thabo Mbeki as Chief mediator on Darfur and the Sudan-South Sudan mediation. As the country hosting the mediation and supporting the AU HIP, Ethiopia remains the leading country in Sudanese mediation efforts. Moreover, Addis Ababa's Agreement on Abyei expressed the trust Ethiopia enjoys from both the Sudanese parties in Khartoum and Juba. For the AU and UN as well as the IGAD, the presence of Ethiopia's peace-keeping troops in Abyei confirms the credibility of its partnership with the international community and the country's continuing important role in global efforts to resolve the crises in Sudan. The agreement on Abyei also facilitated the prompt deployment of UNISFA forces.



Source: Africa Futures, ISS

Bilateral Relations:Ethiopia and its neighbours

For the establishment of a peaceful, integrated and prosperous region, Ethiopia believes it is equally necessary for its neighbours to also enjoy domestic peace and stability. Ethiopia has signed comprehensive cooperation agreements with Somalia, Sudan, Djibouti, Kenya, and South Sudan. Ethiopia and Somalia have signed bilateral agreement that includes common defense and cooperation in counter terrorism and violent extremism (Peppeh, 2014). The first in the history of Ethiopia and Somalia, the agreement is extremely significant and may close the hostile relations of the two countries. Ethiopia and Sudan have also signed several agreements on economic, social and cultural issues. More importantly, they have established an Ethio-Sudanese Joint Defense Committee and signed mutual legal aid and extradition agreement (MFA, 2013). The defense and security cooperation between Ethiopia and Sudan is so strong that countries like Egypt perceive it as a threat. In addition to strong collaboration on fighting terrorism in IGAD region, Ethiopia and Djibouti have established Joint Ministerial Commission and Border Commission. Since 1963, Kenya had Mutual Defense Pact, principally aimed at countering the expansionist threat coming from Somalia. In July 1997 and in April 2009, they signed Ethio-Kenya Memorandum of Understanding comprising political, economic and social cooperation and Military Cooperation respectively. With the Special Status Agreement of 2014, Ethiopia and Kenya decided to promote their cooperation further (Addis Fortune, 2014). In addition, Emperor Haile Sellassie and President

Jomo Kenyatta actively supported visa free mobility between Kenya and Ethiopia. Ethiopia's close relation extends to distance African and Arab countries. Ethiopia enjoys strong security collaboration with Yemen since October 1999, immediately after the Ethio-Eritrean war (Addis Fortune, 2014).A similar agreement has been signed also with Nigeria (Reporter, 2014).

The Integrative Role of Ethiopia

Ethiopia's central location has allowed it to become a hub of regional integration in IGAD countries and it is now leading in supporting integrative infrastructural developments, particularly hydroelectric power. Aiming to expand the current hydropower production by 2000 percent, with the support of the African Development Bank (AfDB), Ethiopia plans to invest USD 12 bln in the next 25 years to increase its overall hydropower to 40,000 MW(MFA, 2013).It currently exports100MW to electric power to Sudan and34-40MW electric power to Djibouti(Merkato, 2012). Since January 2013,(MFA, 2013) with USD 1.2 bln, in 2016, Ethiopia will start exporting 400MW to Kenya. A project on East African power pool that will connect Kenya, Rwanda, Uganda, Burundi and DRC is expected to be completed in a few years(MFA,2013).Under the Regional Transport Infrastructure Development Initiatives, IGAD and the member States intend to build 7,000km (of road and of railway) in the next five years(IGAD,2013). This includes 4,000km of road construction of which 1,500 km have been completed in Ethiopia. Furthermore, the initiative includes the expansion of the ports of Mombasa, Lamu, Tadjourah, the border posts of Moayale and Malaba, and the construction of new railways linking Ethiopia with Djibouti and Kenya, and Kenya with Uganda.

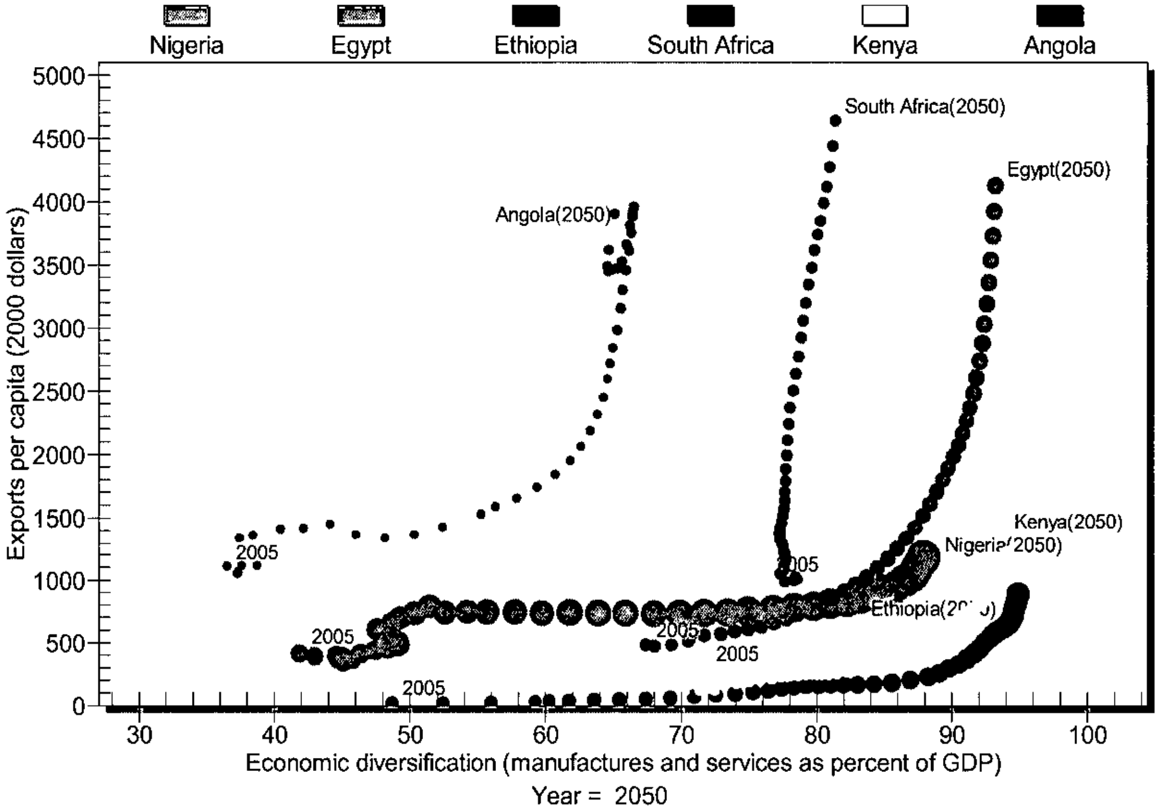
Since the Ethio-Eritrean border war of 1998, Djibouti has been the main port for landlocked Ethiopia. Djibouti has created a Free Trade Zone exclusively for Ethiopia adjoining the main port of Djibouti that facilitates more than 90 percent of the country's import and export and related services(IGAD,2013).In return, Djibouti depends on Ethiopia for some fresh food goods, electricity and water supplies (Beyene,2014). Djibouti, the first country in the region to buy electric power from Ethiopia, receives 405MWs of electric power from Ethiopia for USD 28 million per annum since the beginning May 2011(Herald, 2014). The trade volume between Sudan and Ethiopia reached $322 million in 2011, showing 27 percent annual growth. Ethiopia exports 100 MWs to Sudan. In the near future, Ethiopia will export 400 MWs to Kenya (World Bank, 2007).Nevertheless; the volume of Ethiopia's trade with Kenya still remains a dismal USD 60 million, with only USD 4.3 million worth of Ethiopian exports to Kenya. Similarly, Ethiopia trade with South Sudan remains informal, cross border and dismal 7,100 metric tons of food crops and 7500 livestock (World Bank, 2007). Due to the political tensions between Sudan and

South Sudan, there was increased cross-border trade between Ethiopia and South Sudan resulting into new items like rice and potatoes' being exported to South Sudan through Gambella border. Uganda is the largest beneficiary of South Sudan's market, more than any other country in the region. Exports from Uganda to South Sudan increased from US$ 60 million in 2005 to US$ 635 million in 2008. Kenyan exports to South Sudan increased from US$ 57.6 million in 2005 to US$ 144.5 million in 2008 and increased to a record high of US $ 207.3 million in 2010(ADB,2013) Compared to Ethiopia, these figures show that despite South Sudan's geographic and socio-cultural proximity, Ethiopia's trade with that country is dismally low(ADB,2013). In a bid to enhance regional trade, plans exist to construct rail links between Ethiopian cities extending to Djibouti, Sudan, South Sudan and Kenya. What is more, Ethiopia also provides air-maritime-land links for the region through Ethiopian Airlines and Ethiopian Shipping Lines and their ever-expanding services.

With peace and stability in the region, these integrative efforts and opportunities may in the long-term expect to produce a peace dividend through the creation of a middle class and economic interdependence among countries. For example, peace in South Sudan would not only enable the country to export and utilize its resources, including oil, and facilitate trade and economic integration in the region, but it would also divert much needed resources to other conflict hotspots like Somalia. While instability in the region would seriously threaten Ethiopia's development, in contrast, a stable region would be of great benefit to the country. For these and other historical reasons, Ethiopia has become an active and globally trusted mediator, leading expert and major troop contributing country in Africa and the world.

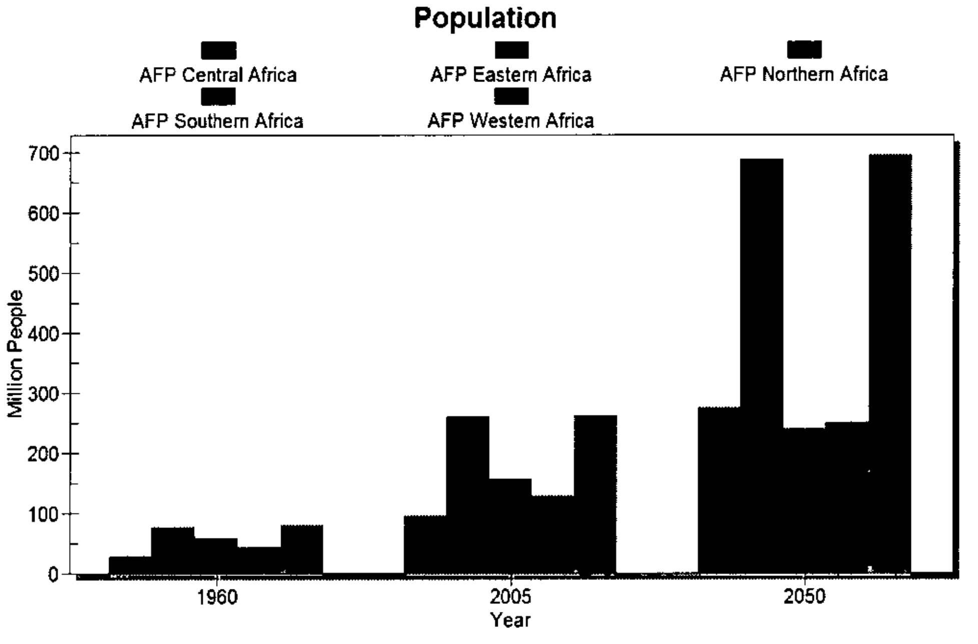
TRENDS: *Reform outpacing crisis? Or crisis outpacing reform*

Current situation matters but trends matter more vitally. Trends, however, are to be determined by the race between transformation and crises. Ethiopia, Africa's second-most populous country and already the preeminent military power in Africa, appears also poised to become a regional economic engine. Over the past decade, Ethiopia has registered anywhere from 9percent to 11percent growth annually, depending on the source one consults -- a remarkable accomplishment by any measure, whichever of these figures is accepted. Several future studies on Ethiopia forecast a GDP growth of more than 8percent per annum over the next five years. If the political stability remains the same, the economic growth will continue at an annual average increase of 8 percent for the next 40 years. According to the *Economist* Intelligence Unit forecast, in 2011-2015, Ethiopia will be the third-fastest growing country in the world, right behind China and India. Under the Government's extraordinarily ambitious Growth and Transformation Plan (GTP), 2011-2015, a real GDP growth rate of 11percent is projected under the base-case scenario, with the more optimistic scenario anticipating appreciably higher rates.



Source: ISS Africa Futures

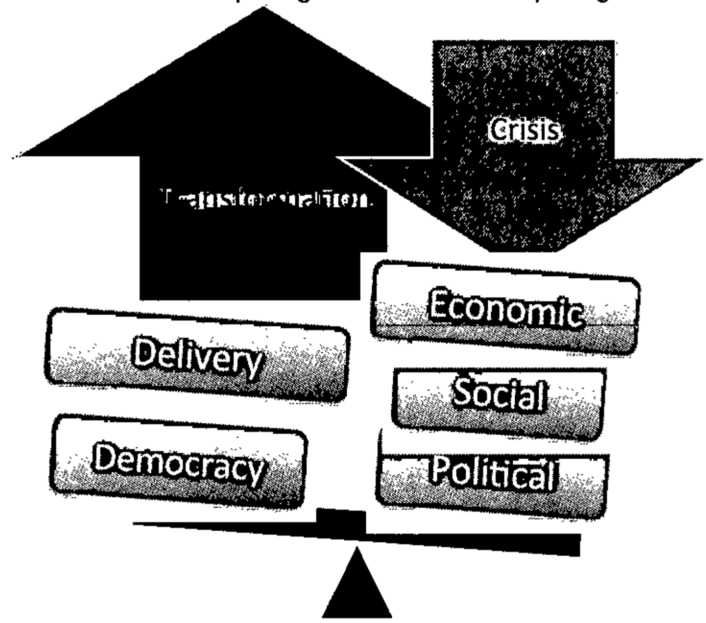
In the next 10 years, the population of Ethiopia is expected to exceed 126 million with an urbanized population of 54percent, as compared to today's figure of 38percent(UN,2013).By 2050, the population of IGAD will be 400 million from 226 million now and similarly, Ethiopia's population will reach more than 200 million by 2050. Equally significantly, pro-poor policies in agriculture, rural road infrastructure, health and education have led to notable improvements in livelihoods. In the few short years between 2000 and 2005, the poverty ratio fell from 52percent to 39percent and life expectancy rose from 52 years in 2000 to 60 years in 2010, in part due to a sharp decline in infant mortality. With the notable exception of Ethiopia's pastoral community, the achievement of the MDG target of gross primary school enrolment of 100percent is, by all accounts, well within reach, if not already achieved. Ethiopia's high growth trajectory, combined with its steadfast and successful pursuit of pro-poor policies, has earned it wide and high praise from development partners as a country with which one can do business. Meanwhile, investment in a series of massive dam projects, culminating in the construction of the multi-billion dollar Great Renaissance Dam over the Blue Nile, is designed to increase the country's hydroelectric power capacity fivefold by 2015.



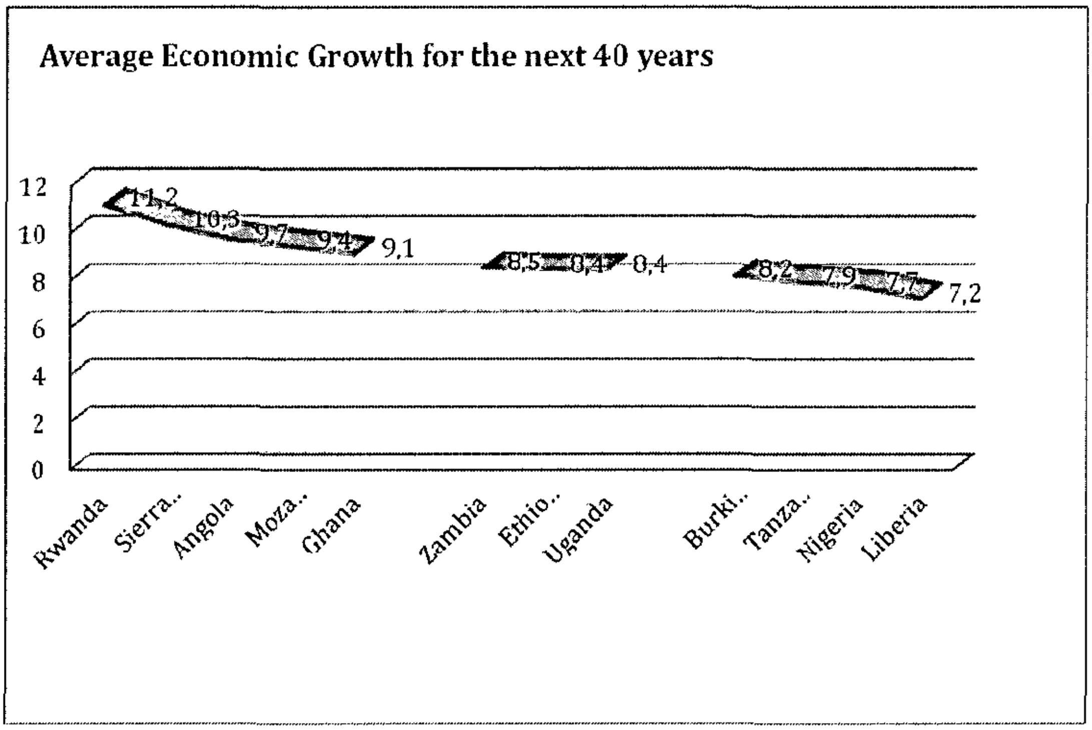
Source: Africa Futures (ISS)

With the current promising economic development and overall improvement in governance, there will be an increase of income, and emerging middle class (AdB, 2012). The country's GDP will also redouble (Ibrahim, 2014). More than 55 per cent of this population will be at a relatively young age (below 20 years)(UN, 2001). Annually, 2%percent of Ethiopia's youth will be connected via mobile telephones and the Internet, adding millions to the more technologically conversant and connected generations. Tese advancement could be triggers and accelerators of development as they could also facilitate resistance to repression by government or other forces.

Critical Internal Threat
Transformation outpacing crisis? or Crisis outpacing Reform?



Nevertheless, with this positive mega trends, there are also negative developments. With increasingly highly connected, conversant, mobile and vocal unemployed young Ethiopian demography, the social unrest may unfortunately outpace reform. The shortage of fresh water, gaps between supply and demand for energy and electricity, and income gap and associated social unrest that may increase vulnerabilities of communities to extremists' ideologies, international crimes and transnational threats. While violence could be increasingly localized, their impact will be global with transnational implications such as organized crimes and displacement of populations. The main question is: will reform outpace crisis? Or will crisis outpace reform?

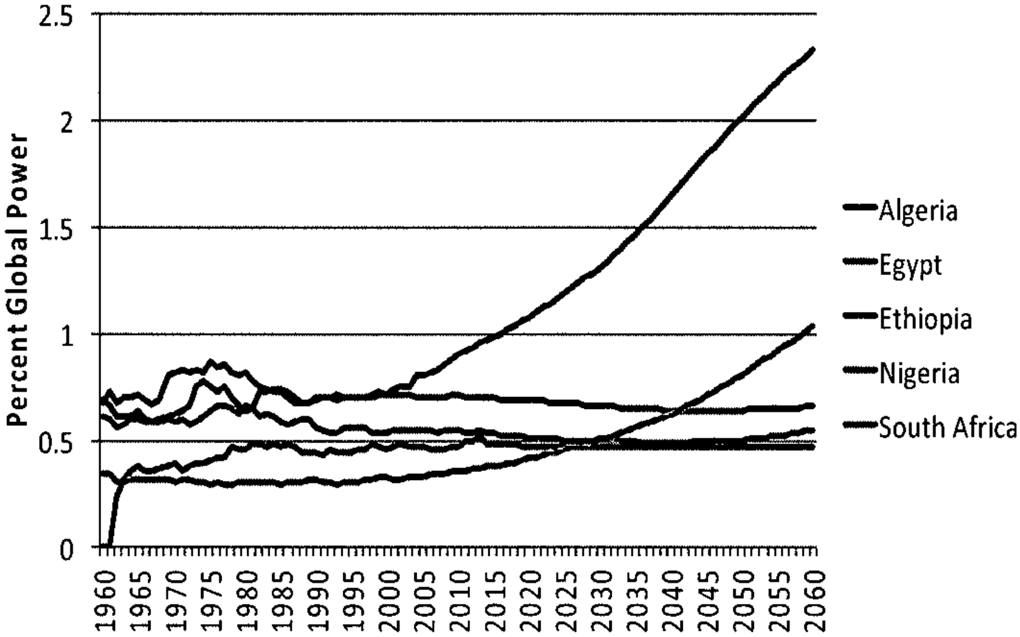


Source: Africa Futures, ISS

Regional Context and National Peculiarities

Investor and philanthropist George Soros has described Ethiopia as 'one of the few bright spots on the gloomy global economic horizon'(UHY International, 2014). With the largest emerging global middle class will be in Africa, consumer-spending will double in the near future reaching 1.5 trillion. Ethiopia, as the second populous, country will have proportional share in this spending boom. Chinese and other foreign investment has increased tenfold (UHY International, 2014).Expected to quadruple in the next five years, FDI has increased from less than 820 million USD in 2007-08 to more than 2 billion USD in the first half of the 2010-11 fiscal year (UHY International, 2014).With fast growing middle class, connectivity including phone and Internet and fast ownership of car and house has dramatically increased consumption and demand for various services. Evading the poor infrastructure and services of landline, mobile technology has grown by 20 percent each year. Hotels, cafes and shopping malls are crowded with Internet users.

Ethiopia's Future: *On of the Big Five African Countries*

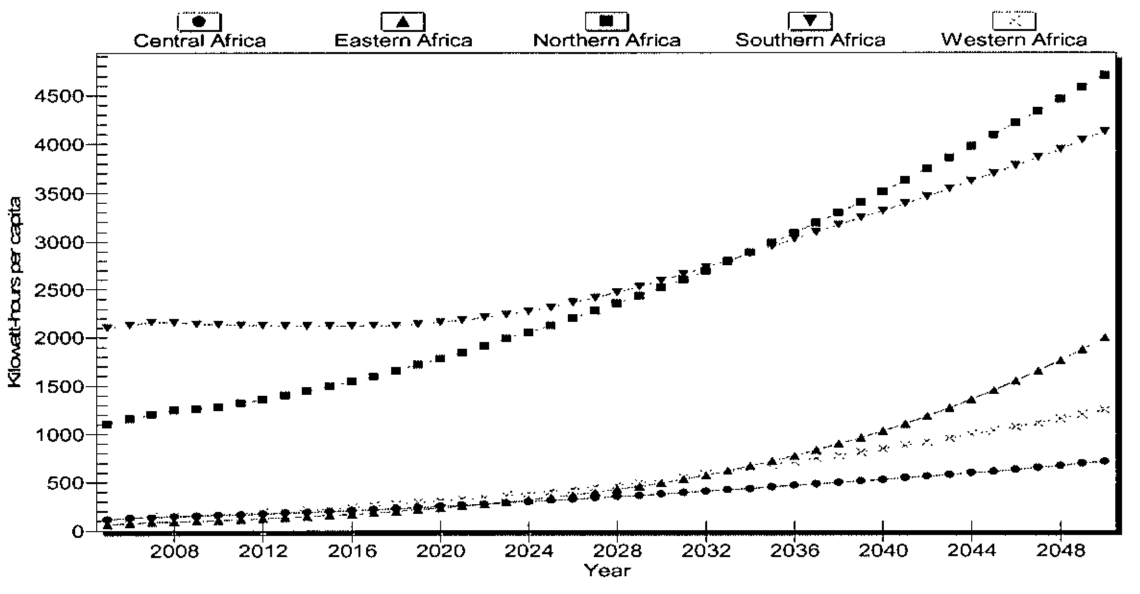


Source: ISS Futures

The Security Nexus: Climate change, Water, Food, and Energy Security

Ethiopia's seemingly unstoppable growth, however, is not without risks. Its economy is highly vulnerable to external shocks on two separate counts. The livelihood of 85percent of the population depends on rain-fed agriculture and, therefore, on the vagaries of weather in the precarious context of global climate change. With erratic rainfall in the entire Nile Basin reaching lows of 30 percent of capacity and high water losses in Sudan and Egypt through evaporation, the basin, particularly the Horn of Africa, frequently facing extreme climatic conditions often drought but sometimes also floods. While the basin hosts tens of millions of people who face frequent famine and undernourishment, apart from Egypt and Sudan, more than 80 percent of irrigable land is being left unproductive. While the Basin currently exhibits a 90 percent unused potential for hydroelectric power generation, more than 80 percent of the population in the region does not have access to electrical power. One of the critical constraints on the fast economic growth of Ethiopia and the other riparian countries is a shortage of electricity, which threatens the sustainability of this economic growth trend. Ethiopia, a non-oil producing country, also remains highly dependent on oil imports, leaving it exposed to vicissitudes in the global price of oil. It remains to be seen whether and to what extent the government's plan to "massify" production of bio-fuels offers a viable renewable power related solution. This also relates to trans-boundary resource use such as the Nile River for energy, and irrigation. With these trends, demands for drinking water, agriculture, sanitation, industrial development and production of hydro-electricity will increase further. In recognition of these trends food, water and energy security has taken pride of place on the national agendas of Nile riparian countries. Depending on governments of the riparian countries, the Nile could be a bridge or a barrier (Mehari 2014). Public demand for governance reform and delivery of basis services will rapidly increase and expand across the region. If such demands remain unsatisfied, social unrest could unfortunately outpace reform. The shortage of fresh water, gaps between supply and demand for energy and electricity, and the income gap and associated social unrest may increase the vulnerabilities of communities to extremists' national and religious ideologies, international crimes and transnational threats. Crises that outpace transformation will inhibit stable governance and peaceful relations between the Nile riparian States.

Access to Electric Power



Source: Africa Futures (ISS)

CONCLUSION

Both internal and external factors and driving forces will have significant bearing on Ethiopia's future peace and development and thus its regional integrative and security role. Successful in dismantling the old unitary State of Ethiopia, EPRDF is still struggling to have a clear vision around which Ethiopia and its diverse people rally. Dominating the political space for two decades EPRDF has been striving to build a new federal, dominant developmental State. What is more, the country's recent successes have come with a price. Public investment driven growth has marginalized the role of the private sector in the national economy, risking the stunting of the spirit of innovation and entrepreneurship required for a globally competitive economy, and for sustainable productivity-based growth. And while Ethiopia's growth trajectory has auspiciously avoided increase in inequality, inflation, particularly food inflation, has been among the highest -- and oftentimes, the highest -- in Africa. The opening out of opportunities for education, in particular higher education, has not been met with arise in ranks of the educated unemployed --and, not infrequently, seemingly unemployable. This potentially destabilizing development is in part caused by the duress of the MDG target of universal primary school education by 2015. From 1995 to 2009, gross primary school enrolment rose by a staggering 500percent (from 3 million to 15.5 million)(ODI,2011). The ripple effects of rapid massification at the elementary level are felt at higher levels of education and vocational training, bringing immense challenges to educational quality and employment opportunities that match the numbers and skills of graduates. Despite the existence of comprehensive legislative and institutional frameworks to combat corruption, it was identified as a major social problem, which could develop into governance, political and cultural setback to Ethiopia's development(Transparency Ethiopia,2009).Infrastructure development, land administration, procurement, judiciary, enforcement and other organs of the State and government(Fortune,2012).Rent seeking in the form of nepotism and corruption has been identified by the ruling party EPRDF as a grave internal challenge to the party and the Ethiopian political system.

Despite all this progress, extreme poverty will remain Ethiopia's main source of threat to peace and security for decades to come. Looking into the future, the main challenge will be maintaining the pace of transformation by scaling up and deepening reform. So far the main drivers of economic growth were public sector investment and public service reforms. Both have their limit in terms of bringing economic transformation. In this regard, five trends in Ethiopia shed light on what area of focus IGAD should have from a peace and security perspective: 1) common transnational threats to peace and security such as terrorism and piracy; 2) troubled neighbourhood due to state failure or poorly performing states, 3)nation-building based on animosity;4) secessionist movements, and 5) rivalry surrounding geopolitical issues such as access to the sea and secure port services, including the security of trade and oil supply routes. Ethiopia has shipping lines that could be a target of piracy. Any threat to Ethiopia's secure access to the sea and port services will gravely endanger the peace and security not only of Ethiopia but also of the region. With high population growth and demand for consumable goods, Ethiopia will be even more dependent on the security of its neighbouring countries with access to the sea. Peace and security in the region will become increasingly intertwined as Ethiopia's population and its economy surges and demand for consumption increases. The private sector will be vital in bringing the transformation.

While internal factors and driving forces will determine its fate, external situations, particularly in the neighbourhood and the Nile riparian countries (especially in Egypt), will have a significant influence on Ethiopia's future peace and development. These developments will determine whether the promising mega trends in economic growth and relative stability in the region will continue. Coupled with an expected expansion of middle class and market fuelled by fast growing population, Ethiopia's role in regional integration and security will create a surge of interest in trade and opportunity for investment. In regional diplomacy and integration, Ethiopia's pivotal role within the IGAD and to a significant extent in the AU will continue to grow due to several natural endowments and its policy orientation. For over 20 years, and particularly in the past decade, Ethiopia's influence in the region has steadily increased. The paper discussed the following six factors as the basis for Ethiopia's contribution for internal and regional stability and integrative development: (1) Ethiopia's inward-looking foreign and national security policy and efforts to address longstanding internal political instability and extreme poverty, (2) Ethiopia's recent promising economic performance, which offers hope for its people and attracts aid, trade and investment, (3) Ethiopia's military strength and role in regional peace and security, (4) Ethiopia in IGAD and AU as trusted mediator, (5) Ethiopia's role in combating terrorism and its strong counter-terrorism capabilities, and (6) a Pan-Africanist historical legacy and Ethiopia's increased and effective use of multilateral platforms. Ethiopia's rich Pan-African historical legacy, which is sustained by an active participation, disciplined position and multilateral approach of its regional diplomacies, exudes confidence among its peers at the AU and IGAD. Ethiopia's overlapping interests with dominant and emerging powers such as the US, EU, China and India, its geographic location, and traditionally strong military create demands for long-term partnership and alliance. International actors including the UNSC, USA, EU, China and others actively endorse Ethiopia's role in the

IGAD region. Ethiopia carries significant clout in IGAD decisions, AU endorsements and interventions, and the UNSC resolutions with regard to the region. The US, EU and China are in close consultation with Ethiopia on issues related to Sudan, South Sudan, Somalia and even Eritrea.

Recommendations

EU and US support to Ethiopia and its contributions to regional development and stability could take several entry points: at national and regional (IGAD and AU) level.

Capacitate the state in developmental delivery

At national level, given that extreme poverty will remain the most formidable socio-economic, governance and security challenge, international community including EU and US need to enhance supporting the developmental efforts of Ethiopia. Both EU and US have the Ethiopian government as a genuine ally in Ethiopia in the fight against poverty. In this regard, Ethiopia has the necessary normative, institutional and collaborative framework for poverty eradication and development.The predictive, preventive, responsive and adaptive capacity of the countries like Ethiopia is certainly a function of resilience to vulnerabilities of internal and external factors and shocks, which would also most often be a function of socio-economic development status. Thus, sustainable peace and security would require the acceleration of Ethiopia's fight against poverty.

Calibrating delivery and democracy: *engage the State and non-state actors*

In order to address the mismatch between EPRDF's focus on performance legitimacy through developmental delivery at the expense of popular legitimacy through democracy, EU and US need to craft a creative strategy that calibrates EPRDF's strength on delivery and its weakness in democracy. Within a jointly agreed upon parameters for mutual accountability between development partners and the Ethiopian government, the EU and US need to work with the state actors towards expanding democratic space while increasing their support to further build the developmental capacity of the state.

Assist in the prevention election-related violence

While unfortunate that election results are highly disputed and most often lead to violence in Ethiopia as elsewhere in Africa, elections are now the most common means of legitimate power. In order to avoid any election-related violence like that of 2005, EU and the US need to identify and assist drivers of democratization in the country and within the state and work with these drivers on expanding the space for political and democratic dispensation. This includes but not limited to Ethiopian Democratic Institutions such election boards, the judiciary, police and the armed forces. In so doing, institutionally, EU and US need to focus on making use of existing regional and continental mechanisms such as IGAD and AU, African Peer Review Mechanism (APRM) and other AU normative frameworks such as the African Charter on Democracy, Election and Governance (the Addis Charter) to which Ethiopia is a party and has willingly submitted itself. Substantively the focus needs to be on the professional neutrality, public accountability and institutional independence and strength of Election Management Bodies and other bodies such as the police, military and security forces. By targeting actors that are at sub-state levels including the security sector, election management bodies, internal dynamics of social mobilizations and political parties, EU and US could help in bringing sustainable change within state and non-state actors.

Democratic Constitutionalism: *Through an empowered democratic citizenry*

In the peace and security, key in tackling the current problems in governance is empowered democratic citizenry to increase accountability of officials through increased constitutional democratic institutions as well as empowering citizens. Ultimately building human rights-protective federalism would depend on empowered citizenship not sectarianism. Striking the balance between the forces of unity and diversity, the Ethiopia should spent it resources on building progressive federalism with integrative and human rights protective agenda. In this regard the federal government has to make sure that Chapter Three of the federal constitution on human and democratic rights (of both individual and group rights) has to be observed by all state and non-state actors. In ethnically heterogeneous regional states with no dominant ethno-cultural community (such as Gambella and SNNP), closer constitutional supervision is necessary to ensure two aspect of federative constitution.

Ethiopian Peace and Security Capabilities: *Building Predictive and Preventive Capacities*

Ethiopian peace and security policy relies on the primacy of political and developmental quick-wins over military and criminal justice measures. The strength of Ethiopian approach stems from the emphasis it puts political work before the military action. By heavily depending on political indoctrination, mobilization and developmental delivery of services to the targeted population, it has enabled Ethiopia deny the breeding ground for violent extremist and narrow down the space for insurgency and terrorism. Moreover, in addition to historical and cultural legacies against foreign elements attempting to destabilize the country, the federal system and the kind of political question within the country, and mainly coupled with the state structure ranging from federal to *Kebele* (neighborhood association) has enabled it to be more effective in responding and in some instances in preventing terrorist attacks. However, the Ethiopian approach shows weaknesses in two major areas: first in messaging and alternative narration, and second in absence of predictive and limited preventive capabilities. Lacking the understanding, the will and capability to create credible voices, messages and narratives both in modern and traditional means that counter radicalization, dwarf the narratives of extremism and terrorism as well as that outrival those propagated by insurgent groups, alternative narratives of hope are yet to be invented and propagated. The EU and US could help Ethiopian government build the predictive and preventive capabilities of the Ethiopian peace and security apparatus.

Diplomatic and Financial Support to Ethiopia's regional role in peace and development

With itshigh global troop contribution to peace support operations, leadership in mediation supported by historical legacy, large population, strategic geographic location, military strength, successful experience in counterinsurgency and promising economic performance, Ethiopia remains the pivot state for regional peace and security. With all these comes enormous additional diplomatic responsibility to ensure various regional and global interests are balanced and met in addition to the local demands of the countries affected by Ethiopia's role. In this regard the support from EU and US should not be limited to finance but also in diplomacy. More specifically, EU and US need to support Ethiopia in its effort to change the behaviour of Eritrean regime in respecting peaceful resolution of the border dispute, support the transformational change in the Nile Basin Initiative, support Ethiopia's effort in the mediation by IGAD and AU within and between the two Sudan, and peace in Somalia. Lastly, EU and US could assist Ethiopia in enhancing its integrative role in IGAD region by supporting the various infrastructural and energy projects of Ethiopia.

Assist in Shift of Focus: *From Intervention to Prevention*

Currently, the most binding constraint in the IGAD and AU system is the gap between the norms set in treaties and policies on the one hand, and their implementation on the other hand. It is for this reason that the implementation of the existing legal and policy frameworks should take priority. Now, after several decades of their establishment, it is high time for the IGAD, AU and all their organs to advance towards the norm-implementation phase of the existing treaties and policies. Progress in the implementation of existing policies will ultimately determine whether the IGAD, AU and their MSs like Ethiopia would ensure the human security of their population. For Ethiopia and other IGAD MSs with grave economic challenges and meagre financial resources, prevention should take primacy over intervention. The economic efficiency and political effectiveness of the proverbial wisdom "prevention is better than cure" highly pertains to our region. In this regard, EU and US should continue to support existing institutions such as AU and IGAD. It has vital shortcomings in bridging the gap between early warning and early effective response. Targeting actors that are at sub-state levels including democratizing actors in the NPSA, EMBs, internal dynamics of social mobilizations and political parties constitutes the next frontier of progress for the IGAD and MSs political landscape that will be constructive and accountable to the public.

EU and USA could help in bringing shift in the mission of AU and IGAD from interventionist tendencies to preventive capabilities including prediction and early response in relation to governance and security problems that may fester into regional and global threats. In this regard, EU and US could play critical role in building national and regional capabilities for effective prevention and timely response to crises. This will help in bridging the gap between early warning and early effective response.

Climate change-security nexus: *Integrating climate, food, water and energy security into Early Warning and Response Mechanism*

EU and US need to assist IGAD and AU to integrate of early warning on climate, weather and environmental changes within CEWARN. While improving the predictive capacity to anticipate the impact of climate change on water, food, and energy security, it is also important to work on identifying the most vulnerable areas of basins to ensure that a mechanism for effective response to climate change calamities is developed. What is more, given clarity of knowledge on the impacts of climate change on the water flows of the Nile and how the scientific community influences relevant political and policy making bodies still remains minimal. The integration of early warning systems about conflict, drought and famine, climate change and weather, floods and disasters may help to bridge the gap between scientific findings and political decisions. This will help in building predictive and responsive capacities in the Nile River Basin countries on the climate change-security nexus. Responsive to changes in the political, socio-economic and environmental landscapes of the Nile basin states, the CFA and NBRC are exemplary initiatives that need to be supported by EU and US. The IGAD and other international organizations need to pressure Egypt to sign the CFA in its existing form and resolve its differences under the roof of the core principles of the NBI.

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PROMOTING STABILITY AND DEVELOPMENT IN AFRICA: FOSTERING COOPERATION BETWEEN PUBLIC AND PRIVATE SECTORS
A Case Study of Nigeria

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DRAFT- NOT TO BE QUOTED

Acronyms

ACF - Arewa Consultative Forum
ADB - African Development Bank
AU - African Union (AU)
AUMG - African Union Monitoring Group
BoI – Bank of Industry
CBN -Central Bank of Nigeria
CBOs - Community-Based Organisations
CD - Campaign for Democracy
CDBs- Community Development Boards
CDD - Centre for Democracy and Development
CENCOD - Centre for Constitutionalism and Demilitarisation
CLO - Civil Liberties Organisation
CNL - Chevron Nigeria Limited
COT - Commonwealth Observer Team
CPD - Community Partners for Development
CSOs - Civil Society Organisations
CT - Chevron and the Community Trusts
ECOMOG –ECOWAS Monitoring Group
ECOWAS - Economic Community of West African States
EFCC - Economic and Financial Crimes Commission
EMB - Electoral Management Body
ERC - Electoral Reform Committee
EUEOM - European Union Election Observer Mission
FBOs - Faith-Based Organisations
FGN -Federal Government of Nigeria
FOMWAM - Federation of Muslim Women Association of Nigeria
GADA - Gender and Development Action
GDP - Gross Domestic Product
GMoU - Global Memorandum of Understanding
GRM - Governance Renaissance Movement
ICPC - Independent Corrupt Practices Commission
IDASA - Institute of Democracy, South Africa
IFFs - Illicit Financial Flows
IIAG - Ibrahim Index of African Governance
INEC - Independent National Electoral Commission
ING - Interim National Government
IRIMG - International Republican Institute Monitoring Group
JAF - Joint Action Front
JDPCMG - Justice Development and Peace Commission Monitoring Group
JTF - Joint Task Force
LEEDS – Local Economic Empowerment Development Strategy
LMG - Labour Monitoring Groups
MEND - Movement for the Emancipation of the Niger Delta

MMG - Media Monitoring Group
MTEF - Medium Term Expenditure Framework
NA - National Assembly
NADECO - National Democratic Coalition
NAPEB -National Anti-Poverty Eradication Programme
NATCOMS - National Association of Telecoms Subscribers
NAWL - National Association of Women Lawyers
NBS - National Bureau of Statistics
NCC - Nigeria Communications Commission
NDAP - Niger Delta Amnesty Programmes
NDI - National Democratic Institute
NEEDS -National Economic Empowerment Development Strategy
NGE - Nigerian Guild of Editors
NIREC - Nigeria Inter-Religious Council
NISER - Nigerian Institute of Social and Economic Research
NLC - Nigerian Labour Congress (NLC) \
NNPC - Nigerian National Petroleum Corporation
NPC -National Planning Commission
NRC - National Republican Convention (NRC)
NUJ - Nigerian Union of Journalists
ONM - Occupy Nigeria Movement
PAP -Poverty Alleviation Programme
PDP - People's Democratic Party
PEP - Poverty Alleviation Programme
PIB -Petroleum Industry Bill
PLAC - Policy and Legal Advocacy Centre
RDBs - Regional Development Boards
RDCs - Regional Development Councils
SALW - Small Arms and Light Weapons
SDP - Social Democratic Party
SEEDS –State Economic Empowerment Development Strategy
SNG – Save Nigeria Group
TMG - Transition Monitoring Group
UN - United Nations
WIN - Women in Nigeria
WLDCN - Women, Law and Development Centre
WORDOC - Women Research and Documentation Centre
YIAGA - Youth Initiative for Advocacy, Growth and Advancement
YWCA - Young Women's Christian Association

Introduction

Despite its many troubles, defined essentially in terms of general governance deficit, including an acute deficit in infrastructural development, rising poverty and income inequality, endemic corruption, the Boko Haram insurgency and the rising spate of identity politics and identity transformation, any serious attempts aimed at promoting stability and development in Africa must pay attention to the centrality of Nigeria. Demographically, Nigeria has the largest population in the continent, currently estimated to be about 170 million, which is more than half the population of all other West African countries put together. Moreover, the recent rebasing of Nigeria's Gross Domestic Product (GDP) has seen the country emerged as the largest economy in Africa with an annual GDP of $510 billion. Nigeria also has a fairly robust military capability that is the first in the West African sub-region and comparable only to that of South Africa in the continent, with a military spending ranking third after Algeria and South Africa. Nigeria also ranks very high in terms of its level of international interactions globally, given its membership of, and crucial role in reputable international organisations, most notably the United Nations (UN), African Union (AU) and the Economic Community of West African States (ECOWAS). Its relatively high number of diplomatic missions and embassies across the globe, currently numbering over a hundred, represents another viable platform of international interactions.[1]

The country has always demonstrated its willingness and ability to project power (show activism in the field of peace and security) regionally and internationally, given its impressive record of participation in international peacekeeping operations at both the UN and AU levels. According to Ibrahim Gambari, Nigeria's former permanent representative to the United Nations, as at 1997 over 200, 000 Nigerians have served in one UN peace-keeping operation or another' (Gambari, 1997: 8-9).[2] Nigeria also played a pivotal role in West Africa, where it almost single-handedly funded the ECOMOG missions in Liberia and Sierra Leone, and provided the highest number of troops and operational leadership to these missions. For instance, Nigeria shouldered the burden of catering for not only its own personnel (about 9 000 in 1992-1993), but it also catered for the operational needs of all the contingents. (Saliu and Omotola, 2008: 77; Saliu, 2000). In Liberia and Sierra Leone alone, Nigeria was said to have spent $8 billion on peacekeeping enforcement on its own before the UN intervened (Osuntokun, 2005: 8)

The Nigeria's active stance immensely benefited from its huge natural resource

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[1] For the full list and addresses of Nigerian diplomatic missions abroad, see: http://www.immigration.gov.ng/index.php?id=33 (accessed on 15 October 2014).

[2] Indeed, Nigeria's participation has not been discriminatory or limited to Africa. Some of the missions in which Nigeria has participated include UNIMOP (United Nations India-Pakistan Observer Mission), 1965 1966; UNSF (United Nations Security Force in West New Guinea), 1962 1963; UNIFIL (United Nations Interim Force in Lebanon), 1978 1983; UNIMOG (United Nations Iran Iraq Military Observer Mission), 1991; UNAVEM I, II and III (United Nations Transition Assistance Group, Namibia), 1989 1990; MINURSO (United Nations Mission for the Referendum in Western Sahara), 1991; UNTAC (United Nations Transitional Authority in Cambodia), 1992 1993; UNOSOM (United Nations Operations in Somalia), 1992 1994; UNPROFOR (United Nations Protection Force), 1992; UNOMOZ (United Nations Assistance Mission in Rwanda), 1993; UNASOG (United Nations Groups in the Aouzou Strip) and UNIMOG (United Nations Iran/Iraq Military Observer Groups), 1988 1990.[28] This shows that Nigeria has been involved in UN peacekeeping efforts since its independence in 1960, following its initial participation in the Congo see Gambari, 1997; Saliu and Omotola, 2008).

endowments, particularly oil, from which the country has made a lot of foreign exchange earnings. Nigeria is not only the largest oil producer in Africa and the tenth largest exporter in the world, but also has the largest natural gas reserves in Africa and the ninth largest reserve in the world. According to *Oil & Gas Journal* (OGJ), Nigeria has an estimated 37.2 billion barrels of proven crude oil reserves as of January 2013 — the second largest amount in Africa, after Libya.and produced 1.2 Tcf of dry natural gas in 2012, ranking it as the world's 25th largest natural gas producer (US Energy Information Administration, 2013).

With these premises, Nigeria's potential ability to serve as a driver of stability, development and regional integration at the continental and sub-regional level is beyond doubt. As the largest population and economy in Africa, the opportunities it offers for market and private sector development are huge. This, together with its credentials as a stabilizing force on the continent, most especially in West Africa, implies that the instability or collapse of Nigeria will have deleterious consequences on the entire sub-region, if not the whole continent. To put it succinctly, as goes Nigeria so do other (West) African countries. In other words, if Nigeria is stable and developed, it will have positive effect on other African countries and vice versa. It is, therefore, important to pay adequate attention to pertinent issues relating to the stability and development of the country.

With this background in mind, this paper explores the opportunities and limits of cooperation between the public and private sector in promoting stability and development in Nigeria. The analysis is undertaken in three sectors, namely socio-economic development, governance and democracy, and peace and security. The emphasis on the private sector is crucial, given that until recently Nigeria's development narrative and agenda, like in most other African countries, have been conducted within a State-centric paradigm, with little or no regard for the potential of non-State actors as agents of development. Such a neglect is no longer sustainable, given the direct and indirect ways in which the private sector, including businesses and civil society organisations (CSOs), can affect the development landscape in its totality, either positively and negatively, depending on the prevailing circumstances (see Ford, 2014). In the following sections, the paper proceeds to explore these themes with insights from Nigeria.

The Private Sector and Socio-Economic Development

The attempt to boost Nigeria's socio-economic development has been largely driven by the government through oil economy. Oil has been the main asset of Nigeria's economy and the fiscal basis (foundation of fiscal federalism) of the Nigerian State over the years. In fact, not only does oil account for about 95% of total exports, but also contributes about 80% of total government revenue. Given that the Nigerian oil sector has been largely dominated by the State, in partnership with major oil multinationals, it follows, by logical extension, that the socio-economic development landscape of the country has, albeit until recently, been dominated by the public sector. This problem is compounded by the inability of the managers of State affairs, for a number of reasons, to efficiently manage oil proceeds so as to facilitate the diversification of the Nigerian economy. Hence the continuing dominance of the oil sector and the increasing susceptibility of the economy to oil shock. A most recent illustration of this relates to the proposed downward revision of the crude oil benchmark for the 2015 proposed in the Medium

Term Expenditure Framework (MTEF), submitted for the 2015 budget.[3] Originally, a $78 per barrel oil benchmark was proposed, but it now slashed to $73 per barrel in the new proposal. The enforced review, according to the Minister of Finance, Dr Ngozi Okonjo–Iweala, was due mainly to the impact of the declining global oil prices, necessitating 'a multi-pronged strategic response to mitigate the adverse effects of the decline in global oil prices' that would help 'protect growth, reassure investors, and stabilize the country's economy'. This, together with structural imbalances and contradictions of balance of trade, among other shortcomings, constitutes part of the dangers of heavy reliance on a mono-economy.

Despite the dominance of the oil economy, however, it is pertinent to note that the government has also been making some efforts to diversify the national economy in a way that will engender a sustainable sectorial restructuring of output, particularly the non-oil sector (for example agriculture), but also facilitate the much needed involvement of the private sector in the promotion of socio-economic development. This has been the case especially since the onset of the country's fledgling democracy since 1999. During this period, a number of policies, including fiscal and monetary, have been put in place to facilitate socio-economic development (see, for example, FSDH Research, 2013; Saliu *et al*, 2006).

National policy initiatives/interventions for socio-economic development

During President Olusegun Obasanjo's administration (1999-2007), some of the important policy interventions included the anti-corruption reform through the establishment of institutional platforms such as the Economic and Financial Crimes Commission (EFCC), the Independent Corrupt Practices Commission (ICPC), as well as the Due Process and Public Procurement Act. These initiatives were put in place as legal-institutional instruments for waging war against corruption, with substantial power to 'deal' with erring officials, no matter how highly placed (Omotola, 2006). The administration also initiated some poverty eradication programmes, most notably the Poverty Alleviation (later Eradication) Programme (PAP to PEP), introduced in 2000 as a temporary anti-poverty scheme mainly to reduce the problem of unemployment and hence raise effective demand in the economy, increase the level of productivity of the economy; and drastically reduce the embarrassing crime wave in the country; the National Anti-Poverty Eradication Programme (NAPEP) aimed at the provision of 'strategies for the eradication of absolute poverty in Nigeria', the achievement of sustainable macro-economic growth through the elimination of waste and inefficiency; promotion of good governance, infrastructural

[3] This development has been a major source of concern, as widely reported in several national dailies on 16 and 17 November 2014. See, among others, Nigerian Nation, 'Global Oil Price Slump: FG Proposes $73 Benchmark For Budget 2015', 16 November 2014: http://www.nigeriannation.com/news/global-oil-price-slump-fg-proposes-73-benchmark-for-budget-2015.aspx (accessed on 17 November 2014); Leadership, 'Oil Price: FG Cuts 2015 Budget Benchmark To $73', 17 November 2014: http://leadership.ng/news/390681/oil-price-fg-cuts-2015-budget-benchmark-73 (accessed on 17 November 2014); This Day Live, 'FG Cuts 2015 Budget Benchmark to $73 as Oil Prices Head South', 17 November 2014: http://www.thisdaylive.com/articles/fg-cuts-2015-budget-benchmark-to-73-as-oil-prices-head-south/194302/ (accessed on 17 November 2014); and Premium Times, 'UPDATE: Declining oil prices: Nigeria to revise oil benchmark in 2015 budget', 16 November 2014: http://www.premiumtimesng.com/business/171291-update-declining-oil-prices-nigeria-revise-oil-benchmark-2015-budget.html (accessed on 17 November, 2014).

development and deregulation of basic services, among others, as well as the banking sector's recapitalization and consolidation initiative under t Professor Soludo's governorship of the Central Bank of Nigeria (CBN).

The administration also introduced the National Economic Empowerment Development Strategy (NEEDS), replicated at state (SEEDS) and local (LEEDS) government levels. NEEDS rests on four key strategies, including reforming government and institutions. Here, the concern is to restructure, right size, re-professionalize and strengthen government and public institutions to deliver effective services to the people. It also aims to eliminate waste and inefficiency, and free up resources for investment in infrastructure and social services by government. It also seeks to fight corruption, ensure greater transparency, promote rule of law and strict enforcement of contracts. Another important strategy of NEEDS was to grow the private sector as the engine room of growth and wealth creation, employment generation and poverty reduction. In this regard, the government is to serve as an enabler, the facilitator and the regulator. Third, NEEDS is people-centred, seeking to implement a social charter, with emphasis on people's welfare, health, education, employment, poverty-reduction, empowerment, security and participation. Hence, a key strategy of the social charter is inclusiveness and empowerment. The fourth key strategy of the NEEDS is value-reorientation. The central message here is that 'it is not business as usual'. Hence, its emphasis on anti-corruption measures, fight against the advance fee fraudsters and strive towards greater transparency in public and private financial transactions (see FGN, 2004, Soludo, 2004; Omotola, 2006).

The succeeding President Yar'Adua's introduced a 7-point agenda as the development plank of his administration, targeted at power and energy, food security, wealth creation, transport sector reform, land reforms, security, and education. In addition to these, there were what the government called two special interest issues, namely the Niger Delta and disadvantaged groups such as the ethnic minority groups. The administration for which the government eventually introduced the Niger Delta Amnesty Programmes (NDAP) aimed at (i) stoppage of disruptions to oil production; (ii) increase in government rents; and (iii) the possibility for the economic growth and development of the region, with a predominant anchor on infrastructural development (see Eke, 2014, Lamocica and Omotola, 2014; Obi and Rustad, 2011)

The development agenda of President Goodluck Jonathan has been generally labelled as 'transformation agenda'. The agenda, as the FSDH Research (2013) reveals, and like those of the preceding administrations, structurally aimed at the diversification of the Nigerian economy and by so doing arrest the heavy reliance on the oil sector. For example, the agenda accords particular attention to the agricultural sector, where the Federal Government of Nigeria (FGN), the CBN and the Bank of Industry (BoI) have been major players. The FGN, for example, introduced some forms of tax, import duty waivers and import substitution measures in order to boost productivity in this sector and agro-allied industries to improve the value chain. These fiscal measures are targeted at rice, sugar, cassava, wheat, cocoa, and fertilisers. On their own part, the CBN/BoI measures aimed at providing the agricultural sector with more easily accessible and affordable intervention funds than those obtainable in the open market.

The transformation agenda extends to other critical sectors of the economy, including power, petroleum and infrastructure. In the power sector, reform measures are aimed at ensuring stable power supply by improving the capacity for power generation and distribution across the country. This focus has been the driving force behind the 'botched' attempts at privatizing these channels, compromised by excessive corruption, government interference and undue politicisation. If attained, however, stable power supply has the potential to improve the local and international investment climate in the country, generate employment and boost national growth. Similar reform measures in the oil sector, especially the local content initiative and the Petroleum Industry Bill (PIB), if effectively implemented, can also engender opportunities and investments, particularly in the upstream and midstream sectors. The stated objectives of the PIB include creating conducive business environment for the petroleum industry, enhancing the benefit to the Nigerian people from the exploitation of the country's petroleum resources, optimizing domestic gas supply for Nigeria's energy and industrial needs, establishing a progressive fiscal framework that can stimulate both private investment and public revenues, promoting the commercialization, liberalization and deregulation of the sector, creating a transparent and effective regulatory framework, promoting the development of Nigerian content in the petroleum industry, and generally developing an economically viable and environmentally sustainable petroleum industry in the country (Omorogbe, 2013; cited in Suberu, forthcoming). These measures could also encourage the growth of small scale businesses and the rapid expansion and development of the informal sector, encompassing all economic activities in all sectors of the economy operated outside the purview of government regulations (National Planning Commission, NPC, and the Nigerian Institute of Social and Economic Research, NISER, 2014).

Overall, it is clear that some of the fiscal, monetary and structural reform measures adopted by the various governments since 1999 essentially aim at improving socio-economic development, with wide latitude for the private sector can play a key role. Whether these interventions have yielded the desired result is open to debate.

Policy impact on private sector and socio-economic development

It is apposite to begin with the recent rebasing of Nigeria's GDP for the period 1990 to 2010, resulting in an 89% increase in the estimated size of the Nigerian economy, has elevated the country to the status of largest economy in Africa, with an estimated nominal GDP of USD 510 billion. This is far ahead of South Africa's currently estimated nominal GDP of USD 352 billion. Also worthy of note is the fact that much of the nominal GDP expansion was not linked to the driving role of the oil sector. The exercise rather reveals a more diversified economy than previously envisaged. Among other critical sectors, the service industry, Nollywood (Nigerian film industry) and telecommunications have emerged as important contributors to GDP and national income. The informal sector, which until now has not been sufficiently accommodated in the computation of Nigeria's GDP, has also been found to have grown (and still growing) in leaps and bounds in terms of its size, contribution to GDP, estimated total employment and interdependence with the formal sector in selected States of the federation (NPC and NISER, 2014: xvi).

This attainment is in line with the fairly stable rate of economic growth in the country over time. In the last decade, Nigeria has maintained an impressive growth rate with an estimated record of 7.4% growth of real GDP in 2013, up from 6.7% in 2012. This growth rate is reportedly higher than the West African sub-regional level and far higher than the sub-Saharan Africa level (African Development Bank, ADB, 2014; World Bank, 2014). Interestingly, this pattern of growth has been relatively constant, with GDP growth rates at 6.4, 5.98, 6.96, 7.98 and 7.36 in 2007, 2008, 2009, 2010 and 2011, respectively (National Bureau of Statistics, NBS, 2012: 5).

It is also pertinent to note that the impressive growth rate benefited hugely from non-oil sectors, whose contribution to GDP has also been impressive. While oil accounts for about 14% of GDP between 2011 and 2014, agriculture accounts for about 40% over the same period.[4] Yet, the rate of growth of the non-oil sector would appear higher that the oil sector, standing at 8.80%, 7.63%, 9.13% and 9.59% in 2011, 2012, 2013 and 2014 respectively. Over the same period, crude oil and natural gas (oil sector) was growing at 0.14, 0.01, 1.29 and 1.40, respectively (NBS, 2013: 6; FSDH Research, 2014: 5). This is a basic fact that has not been sufficiently acknowledged and documented until recently.

The contribution of the private sector to the socio-economic development of the country cannot be overemphasized. Key players involved in the transformation are both local and international investors who, despite all odds, especially acute governance and infrastructural deficits, including rising insecurity, unstable power supply and endemic corruption, all of which make doing business in Nigeria almost an impossible task, remain in the country to pursue their businesses. In the telecommunications sector, for example, the liberalization of the telecommunications regime by the Obasanjo's administration heralded the emergence of some telecommunication giants in the country, most notably MTN Nigeria, Airtel, Globacom Nigeria Telecommunications Limited and Etisalat. These telecoms companies have been contributing to the growth of the national economy through the facilitation of communication, internet connectivity, employment generation and the rise of subsidiary industries. Overall, the telecommunications and information services sector contributed 8.68% to the Nigerian economy equivalent to N6.97 trillion ($44.3 billion) out of the total rebased GDP estimate of N80.22 trillion ($510 billion) (BusinessDay, 7 April, 2014).

The agricultural sector has also witnessed an improved participation of the private sector. Notable large scale commercial agro-companies include the Zimbabwe farmers in the Shonga District of Kwara State, Biodisel Nigeria Limited and International Trans Oil Corporation from the USA, all in North Central Nigeria (see Mustapha, 2010; Ariyo and Mortomore, 2011; Odoemene, 2012; Attah, 2013). Some of the tactics used by the government to attract and encourage these large scale commercial farmers include: (1) public-private partnership, namely the facilitation of access to land and credit opportunities, including free allocation of land in some instances; and (2) the adoption of laws permitting the granting of 'pioneer status', as was the case with respect to the Zimbabwe farmers in Kwara State. Such pioneer status entails 'exemption from import duties on agricultural equipment and from taxes on turnover' (Ariyo and Mortimore, 2011: 4). These and related strategies are usually contained in the Memorandum of Understanding (MoU) signed between the affected (local?) governments and the commercial farmers. In the case of the Zimbabwe farmers in Kwara State, for example, the MoU foresees a responsibility of the Kwara State government to provide (i) suitable land close to River Niger to facilitate year-round farming through irrigation, (ii) infrastructure such as access roads to the farms and electricity, (iii) access to funds, and (iv) assistance to the farming enterprises in obtaining a pioneer status from the federal authorities. The commercial farmers, on the other hand, are expected to (i) incorporate each farm enterprise with US$80,000 share capital, (ii) contribute 1.0% of their gross turnover to the community trust fund, and (iii) provide instruction (training?) at least once a month in the farm training institute in Shonga and later Malete (Ariyo and Mortomore, 2011: 5).

[4] Specifically, agriculture's contribution to GDP was 40.19% in 2011, 39.02 in 2012, 37.92 in 2013 and 36.79 in 2014. The contribution of oil to GDP in the same years amounted to 14.8%, 13.90%, 13.08% and 12.18%.

Despite growth, key concerns and challenges abound

While the growth in the non-oil sector contribution to GDP is appreciable, especially in terms of the contribution of the private sector, there are still concerns regarding the pattern of private sector interventions and their real impact on socio-economic transformation of the country. On the one hand, there is a growing concern regarding the quality of private sector investments in Nigeria, most notably in the areas of quality of service delivery, corporate social responsibility and responsiveness to local needs. Indeed, protests on the quality of service delivery have intermittently permeated the telecommunications sector since 2002. In one of its editorials, Hallmark newspaper (13 June 2013), noted that services were 'mainly characterized by increasing level of poor signals, service outage and drop calls. These exclude multiple deductions from subscribers' credit when only a single command was given for an SMS, and, also, deductions for unsuccessful calls', a problem which consumers of telecommunications services under the aegis of the National Association of Telecoms Subscribers (NATCOMS), a telecoms services consumer rights group, have often protested to no avail.

Similar tendencies can also be noted in the oil and agricultural sectors of the Nigerian economy. In the latter, for example, large scale commercial farmers such as the Zimbabwe farmers in Kwara State, like many others in the country, have been accused of 'land grabbing', given that most of the land they were given by the government was wrestled from the people with little or no compensation. In the process, the locals not only lose their 'ancestral home' and associated cultural and spiritual significance, but also forfeit their source of livelihood, thereby generating social tensions and conflict in local communities challenging these rather sophisticated mechanisms of land seizures (Odoemene, 2012; Attah, 2013). The desecration of the Niger Delta into an environmentally insecure zone, epitomized by violent conflict and the proliferation of small arms and light weapons (SALW), as a result of the struggle for oil and environmental justice, was also due to the entrenchment of irresponsible pattern of investment by the oil majors in the region. The inability of the government, represented by the Nigerian National Petroleum Corporation (NNPC), to effectively regulate the activities of oil majors, only served to complicate matters (see Isumonah, 2012, LaMonica and Omotola, 2014).

It is, therefore, hardly surprising that issues have also been raised about the obvious lack of capacity by the State/government to effectively negotiate contracts with big private investors and regulate their activities. This problem is also commonplace in the telecommunications where the regulator, the Nigeria Communications Commission (NCC), has proved to be grossly incapable of ensuring compliance with statutory rules. The inability to hold businesses accountable, therefore, has been and remains one of the weakest links in public-private partnership, or rather in the private sector-socio-economic development nexus in Nigeria.

Another key concern has to do with the inability to translate socio-economic growth into socio-economic development. Despite the government's much orchestrated GDP growth, the real economy has not changed in any fundamental sense. Poverty and horizontal inequality, widening gap between the rich and the poor, youth unemployment, rising inflation and general underdevelopment of infrastructures remain key features of the socio-economic landscape. Specifically, despite Nigeria's rebased GDP, its GDP per capital or per capital income in 2013 stands at \$3,010 compared to Mauritius' \$9,210, South Africa's \$6,618 and Algeria's \$5,361 (Mo Ibrahim Foundation, 2014). Despite GDP growth, the nation's external reserve into the Excess Crude Account has been grossly depleted, external debt is rising again, and investment climate is unfavourable due to the high costs of doing business in Nigeria, including endemic corruption and unstable power supply, among others (Mo Ibrahim Foundation, 2014). Overall unemployment rate in Nigeria was 23.9% in 2011, with observable regional disparities in unemployment rate in Nigeria ranging from 33% north-eastern region to about 8% in Lagos State. Also in 2011, life expectancy was 51.9 years, with an adult literacy rate of 61.3%, compared to 57.7 years life expectancy, and an adult literacy rate of 67% for Africa (African Development Bank, 2013; 2012).

Logically, it follows that if the private sector is going to fulfil its potential as a key agent and potential driver of socio-economic development, the government and international partners/donors will have to work assiduously toward eliminating these sources of concerns. The starting point would be the creation of an investment friendly environment for the attraction and survival of the private sector. The proposal provided by the European Commission (2014a) for 'a stronger role of the private sector in achieving inclusive and sustainable growth in developing countries' offers an adaptable template.

The Private Sector and Governance and Democracy

Broadly speaking, governance has to do with 'legitimate, transparent, responsible, accountable and efficient exercise of power to manage a country's affairs to the ends of development' (Osaghae and Osaghae, 2013: 399). These defining elements of governance are best guaranteed under a democracy. The central thing about democracy as a system of government revolves around the sovereignty of the people, where citizens are afforded the space required for participation and empowerment in the development process, including accountability mechanisms through which they can hold all actors in the process – the State, government, development agencies and other non-State actors – responsible and accountable for their actions and/or inactions.

Archibugi (2008: 26-30) identifies the 'cardinal principles' of democracy to be 'nonviolence, popular control and political equality'. Nonviolence is reflected in 'the willingness of the various components to accept *a priori* the rules of the game and consequently the rule of law', which must 'not be interpreted in the absolute sense but as a commitment to use force only as a last resort and even then to exercise it within the bounds of legality' (*Ibidem*, p. 27). Popular control, according to Archibugi, 'is characterized by the fact that government action is constantly under public scrutiny. The actions undertaken are subjected to the people's control during decision making and throughout the administrative action'. In other words, 'both decisions and decision makers are under control. This means that political action must be authorized and accountable and, in order to allow popular control, it must be shaped by transparent rules' (*Ibidem*, p. 28). Only then can administration be responsive to popular yearnings and aspirations and accountable to the public.

In the Nigerian context, promoting democratic good governance has always been a dominant theme of successive administrations since 1999. Some of the policy strategies adopted to make this happen include the reform of notable democratic institutions, including the electoral management body (EMB), namely the Independent National Electoral Commission (INEC), the legislature and the judiciary, as well as the expansion of the political space for civil activism. These reform measures were, in most cases, a response to popular pressure from CSOs, as will be demonstrated shortly.

With the benefit of hindsight, it should be recalled that democracy in Nigeria, as much as the search for good governance, has a troubled history. As successive military regimes under the second military interregnum (1983-1999 except for the brief spell of the Interim National Government headed by Chief Earnest Shonekan) continued to manipulate the democratic transition agenda, domestic and international public opinion weighted heavily against military rule. The Ibrahim Babangida regime (1983-1993), reputed for conducting the longest and most expensive democratic transition programmes in Nigeria's history, ended up annulling the presidential election held on 12 June 1993. This was despite the fact that the election was generally seen as the freest and fairest in Nigeria and its huge potentials to reduce the undue influence of identity issues, especially ethnicity and religion, on Nigerian politics (Diamond, Kirk-Green and Oyediran, 1997). For instance, for the first time the two political parties, namely the Social Democratic Party (SDP) and the National Republican Convention (NRC), did not only feature Muslim candidates for the presidential elections, but their candidacy was widely acceptable to both the Muslim and Christian communities. The Social Democratic Party (SDP), which was presumed to have won the elections, also featured a Muslim-Muslim ticket of Chief M.K.O Abiola and Baba-Gana Kingibe.

The annulment set the scene for the socio-political movements and civil activism that followed. As the civil society landscape entered perhaps its most glorious era, crippling governance at all levels through its mass mobilization, organizational and protest power, the Babangida regime had little or no option than to settle for an Interim National Government (ING) headed by Chief Ernest Shonekan, which was inaugurated on 27 August 1993. But that was not what the pro-democracy movements build around a number of CSOs demanded. They were for the revalidation of the annulled election. Therefore, it became obvious from the beginning that the ING was going to be deeply enmeshed in a legitimacy crisis. As the contradictions of the ING heightened, especially given the 10 November 1993 ruling by a Lagos High Court that the regime was illegal, General Sani Abacha capitalized on that to seize power.

But, rather than addressing the roots of the protest and most notably the 12 June election issues, Abacha seemed to have a hidden agenda, which eventually unfolded to be that of self-succession. The signs began to manifest when he abolished all democratic edifices (institutions?) already in existence. Before the 12 June election, (presidential?) elections had been held at the National Assembly and the executive and legislative elections at the State and local government levels. These were all dismissed by Abacha, leading to the remilitarization of the State and society. Under his rule?, Nigerians experienced an unprecedented violation and repression of basic human rights, including freedom of the press. His assault through arrest, detention, torture and extra-judicial killings of pro-democracy and human rights activists climaxed with the hanging of Ken Saro-Wiwa, an internationally acclaimed playwright and environmental activist and eight other Ogoni[5] activists in November 1995. The coincidence of the hanging with the first day of the meeting of the Commonwealth Heads of States and Governments holding in Auckland only served to radicalize foreign opposition to the Abacha junta. Despite the excruciating suffocation of the political space, Abacha continued with his self-succession bid, having compelled all existing political parties to endorse him as their sole presidential candidate. It was in the thick of the attendant furore that Abacha died on 8 June 1998, barely two months before his anticipated "election" as president on 7 August 1998.

At this point, the political atmosphere had already been overcharged. Domestic and international stance was no longer ready to countenance military rule under whatever guise. The

[5] Ogoni, the country home of the late environmental human rights, Ken Saro-Wiwa, is one of the minority ethnic groups in the Niger Delta.

succeeding General Abdulsalami Abubakar regime would appear to have developed a good reading of the situation when, on assumption of his office as Head of State on 9 June 1998, Abubakar announced his commitment to a speedy return to democracy. The pro-democracy and human rights movements, which had become totally radicalized due to Abacha's high-handedness in dealing with them, wanted to seize the opportunity to demand for the formation of a government of national unity to be headed by Chief M.K.O Abiola. Alternatively, they demanded the termination of the Abacha's transition programme, dissolution of the five political parties and the cancellation of the results of all elections that had already taken place. But Abiola died in detention on 7 July 1998, leaving Abubakar with the options of abolishing Abacha's transition or being prepared to engage domestic and international opposition. Again, Abubakar read the situation correctly and abolished all transition agencies and democratic structures put in place by Abacha on 20 July 1998. He then announced on 29 May 1999 the handover to a democratically elected civilian government He reconstituted relevant democratic institutions, particularly the electoral body, which was renamed INEC. He also allowed the formation of new political parties, conducted the elections according to his transitional time table, and eventually handed over power to Chief Olusegun Obasanjo, the People's Democratic Party (PDP) presidential candidate who was declared the winner of the election on 29 May 1999 (Onuoha, 2002).

Thus, General Abubakar became the one who conducted the shortest transition in Nigeria, which lasted for only 10 months. This was due largely to heightened domestic discontent and pressure by CSOs, as well as to the global wind of change that has made military rule largely unfashionable The specific role of CSOs in the transition process includes the provision of an organised platform for collective mobilisation and sensitisation of the masses about the ills of military rule and the need for a democratic order. Notable CSOs during the period include the Campaign for Democracy (CD), the National Democratic Coalition (NADECO), Civil Liberties Organisation (CLO) and a host of others.

Selected CSOs and the promotion of governance and democracy

Since democratic inception in May 1999, the focus has shifted to the consolidation of democracy and promotion of good governance, which resulted in the rapid expansion of CSOs. In the spheres of democratisation, for example, many CSOs, both local and international, devote substantial resources to the strengthening of electoral processes as the foundation of democracy. Their democracy promotion efforts revolve around capacity building for political parties and legislatures at various levels; financial and technical assistance to INEC, the legislature and anti-corruption agencies, pressure for electoral reform; election monitoring and demand for public accountability.

With respect to election monitoring, for example, many international bodies, both governmental and non-governmental, have played crucial role. These included the European Union Election Observer Mission (EUEOM), the Commonwealth Observer Team (COT), the African Union Monitoring Group (AUMG), the Economic Community of West African States (ECOWAS) Monitoring Groups, the International Republican Institute Monitoring Group (IRIMG), the Washington-based National Democratic Institute (NDI) and the Institute of Democracy, South Africa (IDSA). At the domestic level, the Transition Monitoring Group (TMG), the Media Monitoring Group (MMG), set up by the Nigerian Union of Journalists (NUJ) and Nigerian Guild of Editors (NGE); Labour Monitoring Groups (LMG) set up by the Nigerian

Labour Congress (NLC); the Justice Development and Peace Commission Monitoring Group (JDPCMG), and the Centre for Democracy and Development (CDD), among others, have been pivotal. The setting up of the Justice Muhammed Uwais' Electoral Reform Committee (ERC) in 2007, which made far-reaching recommendations about salvaging Nigeria's electoral process, including the key requirement of administrative and financial autonomy, was due largely to pressure from CSOs, following the deeply troubled 2007 elections.

Some other CSOs have focused on policy and legal advocacy, civil activism, research and documentation, as well as media and publicity relating to important issues such as civil liberty, civic education, popular mobilisation and youth political participation, poverty eradication, anti-corruption and gender balance. Notable actors in this regard include the Policy and Legal Advocacy Centre (PLAC), Centre for Constitutionalism and Demilitarisation (CENCOD), Youth Initiative for Advocacy, Growth and Advancement (YIAGA) Centre for Democracy and Development (CDD) the CLEEN Foundation (formerly known as Centre for Law Enforcement Education), the Justice, Development and Peace Commission (JDPC), Community Partners for Development (CPD), Gender and Development Action (GADA), Young Women's Christian Association (YWCA), Federation of Muslim Women Association of Nigeria (FOMWAN), the National Association of Women Lawyers (NAWL), Women In Nigeria (WIN), Women, Law and Development Centre (WLDCN) and the Women Research and Documentation Centre (WORDOC).

Three other specific areas in which CSOs have intervened to promote governance and democracy deserve some attention. The first was the 2006 third term agenda, when then President Olusegun Obasanjo attempted to elongate his tenure beyond the statutorily permitted two terms of four years each. However, the agenda was defeated as a result of a groundswell of public opposition to it, which was championed mainly, but not exclusively, by civil society movements, including academia, the mass media, and democracy activists, who helped to raise popular awareness of the third-term agenda and associated problems (Omotola, 2011a, Isike, 2012).

The second relates to the constitutional crisis generated by the mismanagement of President Yar'Adua's health crisis and eventual death in 2010 (Omotola, 2011b). Then President Yar'Adua took seriously ill and was flown to the King Faisal Specialist Hospital in Jeddah, Saudi Arabia, on 23 November 2009, for the treatment of acute pericarditis, an ailment that had allegedly troubled him from time to time. His failure to transmit a letter to the National Assembly (NA) declaring that he was proceeding on leave for health reasons, as statutorily mandated by Section 145 of the 1999 Nigerian constitution (Federal Republic of Nigeria, 1999), generated a serious constitutional crisis. This prevented the Vice President (VP), Goodluck Jonathan, to step in as Acting President. Dealing with the problem became extremely difficult, because as it later crystallised, the presidency had been cabalised (hijacked and manipulated by a cabal of a few people in power)) and all key players, particularly the Federal Executive Council (FEC) and the leadership of the NA not only failed in their responsibilities, for example, in invoking relevant sections of the constitution to make Jonathan acting president), but also exploited the gap for the promotion of personal interests.

It was the intervention of the Save Nigeria Group (SNG), a coalition of civil society groups and notable democracy and human rights activists under the leadership of Professors Wole Soyinka and Pat Utomi and the Pentecostal Pastor, Tunde Bakare, which salvaged the situation by demanding a timely and correct resolution of the constitutional crisis. The primary mandate of the SNG, as articulated by its promoters, was to challenge and change the status quo by encouraging political participation and promoting political knowledge through various activities. In its widely publicized manifestos for liberty, security and prosperity christened 'A Contract to Save and Transform Nigeria', formally released on 5 May 2010, the SNG bemoans the deepening crises and contradictions of governance in Nigeria, exemplified by widespread poverty, entrenched corruption, decayed infrastructure, bad leadership and politics of exclusion. The SNG, therefore, called on Nigerians to take their destinies in their own hands by collaborating with popular movements committed to the entrenchment of good governance, via the creation of a 'politically friendly environment of liberty, security, and prosperity for all Nigerians', and to 'subscribe to SNG's vision of a new Nigeria and participate in its mission to save and transform Nigeria' (quoted in Omotola, 2011b: 242-243).

Pursuant to this declaration, the SNG embarked upon an aggressive media and publicity to sensitise and mobilize Nigerians to join it in rescuing the country from the jaws of the cabal. The cabal connotes 'those who enjoyed not only the confidence of the President on crucial policy issues, but also his patronage to help build an extended network of loyalists' Omotola, 2011b: 223-224).[6] To this effect, the SNG organised peaceful protests in Abuja, Lagos and Port Harcourt. In the Abuja rally of 11 March 2010, the SNG, speaking through Pastor Bakare, demanded three things: first 'an end to the invisible presidency of Yar'Adua by activating section 144b of the constitution so that presidential powers will be fully accountable'; second, 'the dissolution of the present Executive Council of the Federation which has largely collaborated with presidential aides to foist this crisis on the nation'; and third, 'quick and thorough implementation of the Uwais report on reform starting with the immediate removal of Professor Maurice Iwu as chairman and the reconstitution of INEC with persons of impeccable integrity and competence'. Pat Utomi also remarked: 'the only thing that will save Nigeria is for the people of Nigeria taking over the streets [...] demanding that the constitution be upheld; that the rule of law be respected, and those at the helm of affairs do what is right and just'. Similarly, Professor Wole Soyinka lamented:

> Nigerians should rescue the nation from the cabal of reprobate gangsters, extortionists and even political murderers responsible for some of the assassinations we've witnessed in Nigeria in the last 10 years [...] by any legitimate means you are capable of. You should demand your nation back and don't just sit and watch it being degraded and expropriated by people who have absolutely no respect for you, no respect at all even to their own (all quoted in Omotola, 2011b: 242-243).

The relentless pressure of the SNG and other opposition elements decimated the rank and file of the cabal, exemplified by attendant polarisation in the FEC and the sudden withdrawal of support for an absentee presidency by the Arewa Consultative Forum (ACF), the leading pan-northern socio-political organization, on 4 May 4 2010. This was shortly before the eventual

[6] In this case, the cabal consists of Turai Yar'Adua, the wife of the president (as the mastermind), Gen. Sarki Mukhtar, the National Security Adviser (NSA), Taminu Yakubu Kurfi, the Chief Economic Adviser to the president, Dr. Abba Sayyad Ruma, the Minister of Agriculture,, Senator Adamu Aliero, the Minister of the Federal Capital Territory and a son-in law to the president, Mr Michael Aondoakaa, the Minister for Justice and Attorney General of the Federation (AGF), Senator David Mark, the Senate President, Dimeji Bankole, Speaker of the House of Representatives, Prince Vincent Ogulafor, National Chairman of the PDP, the Governor"s Forum, among others. For an informative idea on this, see Yusuf Alli, "Ministers in Showdown over anti-Jonathan plot", *The Nation*, 19 February, 2010, Lagos, pp. 1-2 (cited in Omotola, 2011b).

death of Yar'Adua was announced on 6 May 2010. These twists played an important role in the eventual invocation of a doctrine of necessity by the NA to make Jonathan become the president.

The third incident relates to the fuel subsidy crisis of January 2012. The crisis erupted as a consequence of the government's claim that what it was spending to subsidise fuel was not only outrageous, but also unsustainable, insisting that the solution lied in total deregulation of the downstream oil sector, beginning with the total removal of fuel subsidy. Specifically, the government claimed that: (a) a cabal had high-jacked the oil subsidy regime, making it counterproductive, (b) consequently what the government was subsidizing was not fuel but corruption, (c) removing subsidy would help undercut the painful cabal, (d) it would also free up more financial resources to develop infrastructures, and that (e) failure to do this would lead to the total collapse of the national economy.

Civil society organisations vehemently opposed government's position, claiming that what the government should do was to: (a) deal with the cabal, rather than punish ordinary Nigerians with the inevitable hardship the removal of subsidy would cause, (b) checkmate corruption in the oil sector and bringing to justice corrupt individuals, (c) create conducive environment for deregulation, (d) repair/build refineries and stop fuel importation. As far as CSOs were concerned, removal of the subsidy was not an option out of the logjam.

Despite all entreaties from civil society and the government's promise of further consultations, the government went ahead to remove the so-called fuel subsidy on 1 January 2012, announcing over 100 percent increment in pump price of fuel. The removal resulted in a fiasco. Almost spontaneously, Nigerians under various umbrellas, including the Nigerian Labour Congress (NLC), Save Nigeria Group (SNG), Joint Action Front (JAF), Governance Renaissance Movement (GRM), and the Occupy Nigeria Movement (ONM) began to contest the decision. The organisation and coordination of the protest in Lagos was powerful but peaceful, including the use of popular culture and humour, and the involvement of musicians of various genres and comedians, thus triggering the daily increase in the number of participants and providing additional motivation.

As the protests intensified, precisely on 16 January 2012 when the government announced a new price regime of N97 per oil litre, following days of intense negotiation with the labour movements, the government ordered a heavy deployment of fully armed military men on major roads and streets, especially in Lagos and Abuja. Surprisingly, Nigerians defied the threats and continued the protest. They were, however, dispersed by the military, which shot indiscriminately in the air and fired canters to teargas the people, compelling an abrupt end to the protest, but not until they committed to a downward review of the new price regime. The popular demand for a thorough probe into the subsidy scam also forced the government to set up a probe panels in the legislative and the executive arms of government, the reports of which unearthed many mind-boggling revelations about the prebendalisation (excessive corruption) of the fuel subsidy regime. Some of the findings by the House of Representatives investigative panel include lack of record keeping, endemic corruption, entrenched inefficiency and excessive impunity. The following quote is telling:

> Curiously too, the particular Accountant-General that served during the period 2009 was found to have *made payments of equal instalments of N999 Million for a record 128 times within 24 hours on the 12th and 13th of January 2009, totaling N127.872 Billion.* The confirmed payments from the CBN records were made to beneficiaries yet to be disclosed by the OAGF or identified by the Committee. We however discovered that only 36 Marketers were participants under the PSF

Scheme during this period. Even if there were 128 marketers, it was inconceivable that all would have imported the same quantity of products to warrant equal payments (Federal Republic of Nigeria, 2012: 7-8).

Credit to CSOs, but key concerns about governance and democracy remain

From the foregoing, it is clear that CSOs have been at the forefront of the struggle for democracy and good governance in Nigeria. Despite their impressive records, however, it would appear that only limited progress has been made in terms of the overall quality of democracy and governance in the country. Above all, elections remain a weak link in the democratisation process, often characterised by various forms of fraud and violence. The 2011 post-election violence that claimed close to 1000 lives remained a sore point (Orji and Uzodi, 2012; Human Rights Watch, 2011). The outlook for the 2014 and 2015 elections also looks gloomy as the report of a recent country-wide study reveals (Cleen Foundation, 2014).

Democratic accountability also remains shallow rooted in the face of excruciating corruption and the rising culture of impunity and disregard for the rule of law (see Omotola and Ojo, 2014; Omotola, 2010; 2013, Odion-Akhaine, 2007). The most scandalous evidence of this can be found in the seemingly endless scams in the petroleum ministry and the NNPC superintended by Deziani Allison-Madueke, including the N10 billion allegedly spent on a chartered jet. The situation is so bad that the NNPC was found not to be accountable to any institution (Federal Republic of Nigeria, 2012). Rather than submit to the probe set up by the House of Representatives to prove their innocence, both parties had resulted to delay tactics by going to the court to challenge the legality of the probe.

That all is not well with governance and democracy in Nigeria is further evidenced by the 2014 Ibrahim Index of African Governance (IIAG), where Nigeria is placed at the 37th place out of the 52 African countries covered in the report with an average score of 45.8% and change of 0.6% over a five year period. Specifically, Nigeria's ranking in the relevant indicators of governance and democracy was worrisome. Under participation and human rights, for example, Nigeria ranked 23rd for participation, with a score of 52.2%; 28th and a score of 49.0% for human rights and 35th and a score of 45.7 for gender balance. Under safety and rule of law, Nigeria ranked 44th with a score of 38.1% for rule of law; and 30th with a score of 36.6% for accountability. In terms of sustainable economic opportunity, which constitutes a crucial aspect of governance, Nigeria ranked 18th with a score of 55.2% for public management; 31st with a score of 44.8% for business environment; 44th with a score of 19.6% for infrastructure; and 27th with a score of 55.6% for rural sector. With respect to human development, the report shows that Nigeria occupied 25th with a score of 52.6% for human welfare; 32nd with a score of 45.8% for education and 47th with a score of 60.4% for health (Mo Ibrahim Foundation, 2014).

Given the relative credibility and wide acceptability of the IIAG as a standard measure of governance and democracy in Africa and beyond, the signs are obviously ominous for Nigeria. This shows that the private sector still has a lot to do in promoting sustainable governance and democracy in Nigeria.

The Private Sector and Peace and Security

The longstanding strategic conception of security in purely military terms has progressively been challenged and refined to accommodate non-military dimensions, alongside the concept of human security. As a result, the role of economic factors in promoting peace and security has been recognized. Such a shift in emphasis is important because, as Ford (2014: 1) rightly argues, 'the private sector's role in helping drive sustainable and inclusive growth has a strong bearing on the prospects of achieving long-term development goals'. However, Nigeria seems to be, despite all pretenses to the contrary, as will be shown shortly, persistently trapped in this strategic interpretation of securities.

It is not a hidden fact that Nigeria has been a theatre of instability and insecurity for years. In its recent history, the country has been plagued by a rising spate of identity-based conflict rooted in ethno-regional, religious and communal dimensions; resource-based conflict as in the case of the oil-rich Niger Delta; the Boko Haram insurgency ravaging the north-eastern part of the country; and escalating rural banditry in the northern part of the country, all of which have taken heavy tolls on the struggle for sustainable democracy and development.

Ethno-regional and communal conflicts in Nigeria have been driven by a number of factors, most notably the political manipulation and transformation of identity by the power elite, horizontal inequality, competition for resources and internal contradictions within ethno-regional and religious formations (see Onwuzuruigbo, 2010; 2011; 2012; Ukoha, 2005). Such conflicts have claimed many lives in their thousands, with properties worth billions of Naira destroyed (Adekunle, 2009). Similar factors, together with other political economy considerations and external interests have also been deployed in the explanation of the Boko Haram insurgency (Oyeniyi, 2014; Omotola, 2013b; Onuoha, 2010; 2012, 2013). With several devastating attacks against security formations, including police, prisons and military bases, and public infrastructure in major Nigerian cities, the damage caused by Boko Haram, both in terms of human and material resources, let alone attendant image crisis and negative impact on governance, is certainly inestimable. The problem is gradually spiraling out of control by the government, with Boko Haram reportedly in control of about sixteen local government councils spread across three northern States. Not even the declaration of a state of emergency, with heavy military presence in the affected states in the last eighteen months, was able to stem the tide. In a very telling example, the government has not been able to do anything tangible with respect to rescuing the over 200 school students kidnapped by Boko Haram in a public school Chibok, Borno State, in April 2014.

The phenomenon of rural banditry has been another major source of insecurity in the country, affecting the political economy negatively. In the first quarters of 2014 alone, 262 persons lost their lives in 15 separate attacks; also in Plateau and Kaduna States, 16 separate attacks were reported during the same period that led to the loss of 139 lives with scores of people injured. Such attacks have continued unabated in places such as Nasarawa, Zamfara, Plateau and Benue States. In Benue, bandits brazenly attacked the Governor's convoy. In one of the most outrageous acts of banditry, over 120 people were massacred in 'Yar Galadima village, Zamfara State, by bandits who have, for at least the last ten years, been terrorizing rural communities as well as highway users by rustling cattle, looting, laying siege on rural markets and killing innocent people (Kuna, 2014: 1). This problem has been attributed to declining State capacity to effectively govern the rural areas, changes in demographic, ecological and climatic conditions and the land question, land use rights and alienation of land (Kuna, 2014).

The Niger Delta has been a contentious site of oil and environmental politics where the mismanagement of oil resources has engendered protracted violence in the struggle for resource control and environmental justice. Unfortunately, the struggle which started on a peaceful note has turned violent, including the rise of 'rights' movements such as the Movement for the Emancipation of the Niger Delta (MEND) and the use of criminal tactics such as pipeline vandalism, piracy, kidnapping of oil workers for ransom and oil bunkering, among others (LaMonica and Omotola, 2014; Oriola, Haggerty and Knight, 2013; Obi and Rustad, 2012). This has also had security implications at both the strategic and non-strategic (social?) levels for the country, including loss of oil revenues and investment opportunities in the region.

Public and private sector's responses to the challenge of peace and security

Whereas responding to these security issues has been challenging, the government has always devised policy and practical responses to the problem. In the case of ethno-regional and religious conflicts, the strategy has been the adoption of institutional devices for promoting ethno-regional and religious balance in government establishments/institutions. The constitutional adoption of secularism and federal character principles (first introduced in the 1979 constitution of Nigeria and has been retained in all successive constitutions till today), which sought to ensure fair representation of all groups in public institutions, remains an example. In some specific instances, commissions/panels of inquiry have been set up to ascertain the remote and immediate causes of conflict, as was the case with the 2011 post-election violence. Such panels have also been deployed in dealing with rural banditry in Nigeria.

Many official responses have been made regarding agitation for resource control and environmental justice in the Niger Delta. Notable institutional responses include the establishment of the Niger Delta Development Commission and the creation of a distinct Ministry of Niger Delta Affairs, both with responsibility for the rapid development of the region. There is also the ongoing amnesty programme for repentant militants from the regions (Agbiboa, 2014). While the government has responded to the Boko Haram insurgency by using diverse strategies, the most notable is the declaration of a state of emergency in three northern States, namely Adamawa, Borno and Yobe.

The private sector has also been involved in the search for sustainable peace and security in the country. In this struggle, the actors and strategies have been influenced by the specific form of security challenges at stake. In the case of ethno-regional and religious crises, local and international NGOs, including faith-based organisations (FBOs) have been helpful. The Nigeria Inter-Religious Council (NIREC), a voluntary inter-faith association, for instance, was established against the background of incessant ethno-religious crises that have enveloped the country over the years. Its primary goals are to provide religious leaders and traditional rulers with a veritable platform to promote greater interaction and understanding among the leadership and followers of both religions; as well as lay foundations for sustainable peace and religious harmony in Nigeria. The CLEEN Foundation, Human Rights Watch and Amnesty International have also engaged in peace research and advocacy in the country. In the Niger Delta, major oil companies have attempted, despite abiding concerns, to improve their human rights records and corporate social responsibility in their host communities (Kiikpoye, 2011; 2013a, 2013b).

As Kiikpoye (2013b) aptly demonstrates, the implementation of the Global Memorandum of Understanding (GMoU), which was pioneered by Chevron Nigeria Limited (CNL) in 2005 as a better way of delivering sustainable development to host communities, has been instrumental to the positive change. The benefit of the model, as Kiikpoye argues, lies in vesting project decision-making and implementation on the GMoU community institutions such as the Regional Development Boards (RDBs)/Regional Development Councils (RDCs) for Chevron and the Community Trusts (CTs) and Community Development Boards (CDBs) for Shell. As opposed to the old practice of entering into Memorandum of Understanding (MoU) with individual host communities by oil TNCs, the GMoU was widely advertised by promoters as dealing with a cluster of communities to maximize economy of effort and resources; provide seed money to community institutions based on production figures and technical assistance through Non-governmental Organizations and banks. Despite noticeable challenges, especially the enormity of the development concern, Kiikpoye concludes that the GMoU has demonstrated sufficient potency as a new model in delivering sustainable development largely for granting participation and ownership of all intervention initiatives in the people/communities as a collective entity. Many rights and development NGOs, including community-based organisations (CBOs) have also sprung up in the region undertaking policy advocacy and rural development projects (George and Omotola, 2010).

Both the government and big oil companies in the region have also been awarding security contracts to private security companies for the protection of oil installations and facilities. Annually, the government awards a contract of a whopping N5.6 billion Naira to ex-militants[7] In the Boko Haram stricken northern Nigeria, the civilian Joint Task Force (JTF), a group of youths using local guns, machetes, daggers and sticks and relying on their local knowledge of the geography of the area, has been involved in the fight against Boko Haram. While some have frowned at their involvement, they seem to be making headways where the military has failed. The fact that Nigeria relies on defenseless civilian JTF to fight Boko Haram speaks volumes about the country's capacity to defend its territorial integrity.

Despite the responses illustrated above, instability and insecurity continues to plague the country. After a brief respite in the immediate post-amnesty period, insurgency is gradually returning to the Niger Delta. The situation has not been aided by the current political situation, particularly the ongoing politics of succession in 2014 where the incumbent, President Goodluck Jonathan, is seeking reelection and the northern elites appear hell-bent on recapturing power at all costs. Some ex-militants, Asari Dokubo in particular, has been threatening to bring the country down if Jonathan is not reelected. The Boko Haram question has gone nightmarish, with no respite in sight. In fact, the insurgency seems to be waxing stronger, capturing territory after territory in its stronghold, the northeast. It has even been speculated in some quarters, as reported by the CNN, that Boko Haram derives its funding partly from oil insurgency in the Niger Delta (Lah and Johnston, 2014). It is, therefore, hardly surprising to see Nigeria rank so poorly in the personal safety and national security categories of the IIAG for 2014, placing 49th with a score of 16.5% with respect to the former; and 48th and a score of 58.2% for the latter (Mo Ibrahim Foundation, 2014). The ineffectiveness of these responses in addressing the problem suggests there is more to be done by both the public and private sectors.

Conclusion and Recommendations

Nigeria is, without any doubt, sufficiently endowed with human and natural resources to be ordinarily catapulted into the clubs of developed nations. However, due to a combination of factors, including poor leadership, mismanagement and corruption, its potentials have not been efficiently and effectively harnessed. Consequently, the country remains grossly underdeveloped, both socio-economically and politically, with negative implications for peace and security.

[7] Namely 'General' Government Tompolo Ekpumopolo, N3.6bn; Asari Dokubo, N1.44bn; 'General' Ateke Toms, N560m and 'General' Ebikabowei Boyloaf Victor Ben, N560m. See Olusola Fabiyi, 'The Presidency Defends Billions Paid to Ex-Militant 'Generals', *The Punch,* 27 August, 2012: http://www.punchng.com/news/presidency-defends-billions-paid-to-ex-militant-generals/ (accessed on 13 September 2014).

Official and unofficial responses to the problem have been underproductive, if not feckless, necessitating a change in response. To bring about the desired change, the following recommendations for external partners are deemed to be pertinent:

- First, the EU and the US, in promoting stability and development in Nigeria/Africa, should deal with governments as development partners and operate truly on the principle of partnership. Partnership offers genuine opportunity for mutual trust and respect.
- Dialogue with governments at the highest political level to facilitate the creation of an enabling business environment for the private sector is crucial.
- Corruption remains one of the greatest problems for the development of the private sector in Nigeria. Unfortunately, some of the big businesses in the private sector allegedly help in the facilitation of illicit financial flows (IFFs) from the country. The EU and the US should help in the fight against corruption in the country.
- Greater emphasis should be on non-oil sectors, particularly financial systems, agriculture and infrastructural development. This is useful for the diversification of the Nigerian economy.
- The EU and the US should also lay emphasis on the promotion of 'responsible' investment by foreign businesses in the country, in manners that will respond to local needs, respect the dignity of labour and safety of workers, and treat host communities as development partners. This is key for the social responsibility of the private sector.
- Nigeria's informal sector is huge with a lot of potential. It therefore deserves better regulation and integration with the formal sector. This is important especially for its rural dimensions. The EU and the US should leverage its weight to relay this message to the government.
- Given the importance of the quality of domestic institutions of governance, democracy and development, the EU and the US should devote substantial attention to building local institutional capacity for governance and development. Such capacities impact on the delivery of the private sector in promoting stability and development.
- It is also important for the EU and the US to identify and partner key local NGOs/CSOs in their development interventions in Nigeria/Africa. This is necessary given the tendency by international donors to patronize international NGOs at the expense of local ones. Yet, local NGOs have broader knowledge and understanding of local issues and peculiarities.
- While the private sector is crucial, the public sector is also pivotal. The EU and the US should continue to intensify its efforts to encourage public-private partnership as partners in the true sense of the term, not as competitors, in fostering stability and development.

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PROMOTING STABILITY AND DEVELOPMENT IN AFRICA: FOSTERING COOPERATION BETWEEN PUBLIC AND PRIVATE SECTORS

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Draft paper on

PROMOTING STABILITY AND DEVELOPMENT IN AFRICA: FOSTERING COOPERATION BETWEEN PUBLIC AND PRIVATE SECTORS

A Case Study of South Africa

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Table of Contents

Acronyms and Abbreviations

AGOA	African Growth and Opportunities Act
ANC	African National Congress
ATF	Agricultural Trade Forum
AU	African Union
BACSA	Business Against Crime South Africa
BBC	Black Business Council
BBWG	Big Business Working Group
BLNS	Botswana, Lesotho, Namibia and Swaziland
BRICS	Brazil, Russia, India and South Africa
BUSA	Business Unity South Africa
DIRCO	Department of International Relations and Cooperation
DRC	Democratic Republic of the Congo
DTI	Department of Trade and Industry
EC	European Commission
EPA	Economic Partnership Agreement
EU	European Union
FTA	Free Trade Area
G20	Group of 20
GDP	Gross Domestic Product
GNI	Gross National Income
IMF	International Monetary Fund
IPAP	Industrial Policy Action Plan
JSE	Johannesburg Stock Exchange
NACF	National Anti Corruption Forum
NDP	National Development Plan
NEDLAC	National Economic Development and Labour Council
OECD	Organisation for Economic Development
REC	Regional Economic Community
RISDP	Regional Indicative Strategic Development Plan
SA	South Africa
SACU	Southern African Customs Union
SADC	Southern African Development Community

SADPA	South African Development Partnership Agency
SARB	South African Reserve Bank
SME	Small and Medium Enterprise
TDCA	Trade Development and Cooperation Agreement
Teselico	Technical Sectoral Liaison Committee
TIDCA	Trade, Investment, and Development Cooperative Agreement
TIFA	Trade and Investment Framework Agreement
WTO	World Trade Organization

Executive Summary

South Africa is a strategic partner of the European Union and is the only African country that is a member of the G20 and BRICS. Until early 2014, it was the largest economy in Africa and remains an upper middle-income country. Economic growth in South Africa is expected to be 1.4% in 2014 (IMF, 2014), which is low relative to the growth expected in other African countries and emerging economies. This is a reflection of the ongoing socio-economic challenges faced by South Africa twenty years after the end of apartheid. Of particular concern are the high unemployment rate and the failure of growth to result in any positive improvements in the level of inequality that exists in the country. Despite the continued dominance of one party (the African National Congress), South Africa has a robust democracy and there is active engagement from stakeholders in both economic and political debates.

There are however particular challenges in State-business relations in South Africa. A high level of mistrust exists between the government and the private sector. This reflects a unique historical legacy, challenges of economic transformation and ideological differences. There are some platforms available to facilitate the engagement between the public and private sectors, such as the formal structures of the National Economic Development and Labour Council, and more informal mechanisms, such as presidential working groups. The results of these engagements have been mixed both in terms of domestic economic policy coherence as well as in the economic diplomacy of South Africa at the regional and global level.

This paper examines the interactions between government and the private sector in South Africa in the context of socio-economic, governance and democracy, and peace and security issues. It recommends that partners of South Africa, such as the European Union and the United States (US), could provide support to enhance State business relations in South Africa at both the local and regional levels. This could be done through existing State-State processes as well as directly with the business community (both South African firms and foreign investors).

Introduction

South Africa was until recently the largest economy on the African continent. It was overtaken by Nigeria in terms of gross domestic product (GDP) when the Nigerian economy was rebased in early 2014. South Africa however remains an important economic and political player not only in an African context but also more broadly at the global level. It is an upper middle-income country with a gross national income (GNI) per capita of $7,190 in 2013 (World Bank, 2014). South Africa is often described as an emerging economy and is a member of the BRICS (Brazil, Russia, India, China and South Africa) grouping. It is also the only African country to be a formal member of the G20, which is widely considered to be the pre-eminent fora for global economic governance. South Africa has an active foreign policy that sees it engage in multilateral debates on governance and democracy issues as well as the peace and security agenda, with a strong focus on these areas at the regional level in Africa. It was this prioritisation of Africa's development that saw South Africa put forward its former Foreign Minister, Dr Nkosazana Dlamini-Zuma, for the position of Chair of the African Union (AU) Commission. Dr Dlamini-Zuma assumed leadership of the AU Commission in October 2012 and has played a critical role in the formulation of Agenda 2063 that sets out specific objectives for Africa over the coming fifty years. South Africa is a committed proponent of the need to ensure that Africa is not marginalised in the global economy and that it reaches its true potential.

It is with these factors in mind that South Africa was chosen as one of the countries in which to undertake an in-depth case study to examine its role in promoting stability and development in Africa. For the purposes of this particular paper, it is also worth highlighting that South Africa is the only African country to have a Strategic Partnership with the European Union (EU). In a review of the Strategic Partnership in 2011, the relationship between the EU and South Africa was described as "strong, robust and comprehensive" (Dialogue Facility, 2011, p.13). South Africa also has close economic ties with the US as a significant beneficiary country under the Africa Growth and Opportunities Act (AGOA) and signed a Trade and Investment Framework Agreement (TIFA) in 2012. In addition, it is also a participant in the Trade, Investment, and Development Cooperative Agreement (TIDCA) between the US and the members of the Southern African Customs Union (SACU).

The following paper will focus on the role of South Africa in promoting stability and development in Africa through cooperation between the public and private sector. The private sector is widely acknowledged to play a critical role in socio-economic development, including by donors and multilateral organisations. For example, the OECD (2006, p.74) highlights private sector development as a key component of poverty reduction and development. In the work of Sen and te Velde (2009) on State-business relations in Africa, clear linkages were established between effective relations of State institutions with the private sector and enhanced economic growth. South Africa was one of fourteen sub-Saharan African countries considered in the study and assessed by Sen and te Velde (2009) to have effective State–business relations. In the first section of this paper, the State-business relations approach will be considered as a way to assess the current interactions between the public and private sectors in South Africa. There is a complementary discussion of South Africa's economic diplomacy in the rest of the continent and the linkages in this context between the State and private sector.

The following three sections will include a broad outline of the existing mechanisms for cooperation between the public and private sectors in South Africa, including the National Economic Development and Labour Council (NEDLAC) and more informal interactions. The second section looks at public-private relations in the area of socio-economic development. Here there is a strong focus on the current domestic economic climate and the current challenges of engagement between the South African government and business around developing a coherent economic policy to address the problems of slow growth, unemployment and inequality. The third section builds on the analysis of both the interactions between the South African government and business at the domestic level and in terms of foreign policy with a particular focus on governance and democracy. There are a number of specific security concerns (e.g. crime and safety) in the South African economy that are considered in the fourth section together with a discussion on the role the country has played with regards to peace-building in the rest of the African continent. The paper concludes with recommendations on how key partners, such as the EU and US, can better engage the South African private sector in the three priority areas of socio-economic development, governance and democracy, and peace and security.

1. Cooperation between the public and private sectors in South Africa

1.1 Overview of State-Business Relations in South Africa[1]

[1] This section draws heavily on research undertaken by the author for a Masters report for the University of the Witwatersrand that is not yet published. The report is entitled "Information Sharing on Trade Policy Between State and Business in South Africa", 28 February 2014.

State-business relations are of interest for a number of different disciplines for their potential to impact on issues related to governance, power, politics, and economic growth and development. The relationship between a government and the business community in a country is often a complex one that reflects many different factors, including history, race or class dynamics, politics and specific sectoral concerns. It is difficult to generalise as these interactions are specific to certain countries and also differ, depending on the nature of the issue under consideration. There will be different players involved at various points in time and one of the most common challenges voiced by policymakers is 'who is the private sector?'. The business community is wide, diverse and can mean different things to different people (Rettberg, 2010, p. 22). Some of the most common points of differentiation relate to formal versus informal businesses; corporate versus small and medium enterprises (SMEs); and foreign versus locally owned firms. The desired interaction between the State and business will depend on the specific objectives being pursued (e.g., contributing to increased employment or developing new technologies). State–business relations are therefore structured differently in many instances, and can be both ad hoc in order to address one issue only or sustained over a longer period of time to allow for broad-based consultation.

Sen and te Velde (2009, p. 1279) define State–business relation' as "a set of interactions between states and the business sector whether through formal channels such as official meetings of bureaucrats with business associations, or through more informal channels such as phone conversations and dinner parties". Maxfield and Schneider (1997) explored effective State–business relations in detail and identified three key characteristics: (1) transparency, (2) reciprocity and (3) credibility. Sen and te Velde (2009, p. 1269) build on this work to link State–business relations to economic policy where they outline three main functions: (1) facilitation of information exchange, (2) check and balance on government policies, and (3) reduction of policy uncertainty. Harriss (2006, p. 1) identified a fourth factor, which is the role of State–business relations in fostering high levels of trust between the stakeholders.

The South African government itself has acknowledged that there is a need to encourage the private sector and government to work together to ensure the development of the country. In the State of the Nation address delivered on 14 February 2013, South African President Jacob Zuma (Government of South Africa, 2013) noted that: "We will engage business, labour and other social partners in pursuit of solutions. No single force acting individually can achieve the objectives we have set for ourselves." This is echoed in almost all economic policy documents and plans. With regard to trade policy, the South African Department of Trade and Industry (DTI) (2012, p. 21) highlights the importance of building strategic relationships between government and business in order to create competitive advantage.

South Africa has a number of mechanisms in place to achieve the main functions of State-business relations. The National Economic Development and Labour Council NEDLAC is the leading formal mechanism established to allow for the interaction between government and business, together with other constituencies representing organised labour and civil society. Parsons (2007, p. 9) explains that NEDLAC was designed to "inaugurate a new era of inclusive consensus-seeking and ultimately decision-making in the economic and social arenas". It facilitated the discussion of national social and economic policy and legislation, and South Africa's re-entry into international organisations, such as the International Labour Organisation (Nattrass & Seekings, 2010, p. 42). In the State-business relations paradigm, NEDLAC contributes to the sharing of information on socio-economic issues. Through regular interactions of government and the private sector, as well as with other constituencies, there is a possibility to create greater levels of understanding of policy processes and to make a positive contribution in terms of trust building.

Box 1 provides a detailed description of NEDLAC and its structures.

BOX 1: NATIONAL ECONOMIC DEVELOPMENT AND LABOUR COUNCIL (NEDLAC)

The National Economic Development and Labour Council (NEDLAC) is a statutory body that was established in 1995 to provide a platform for social dialogue in South Africa on a range of economic policies and legislation. Government, labour, business and community are all represented in NEDLAC, which is structured with four main chambers dealing with (1) monetary policy, (2) labour, (3) development, and (4) trade and industry. There is a specific sub-committee of the Trade and Industry Chamber known as 'the Technical Sectoral Liaison Committee (Teselico)', which focuses on trade matters. It is here that the Department of Trade and Industry (DTI) consults with organised labour and business on trade policy matters, and on the positions of South Africa to be adopted in trade negotiations. Teselico is mirrored by the Agricultural Trade Forum (ATF), which looks specifically at trade as it relates to the agricultural sector. NEDLAC is a formal process that requires monthly meetings of its bodies.

The work of the chambers is supported by a small Secretariat. A wide range of policy issues is featured on the NEDLAC agenda. The government will also submit draft legislation to NEDLAC for discussion by the constituencies before it is finalised. A NEDLAC report will be sent to Parliament with the relevant bills and often includes line-by-line suggestions on amendments to be made to the draft considered by NEDLAC.

The private sector is represented in NEDLAC via Business Unity South Africa (BUSA) and more recently the Black Business Chamber (BBC), which represents part of the black business community in South Africa. BUSA and the BBC are required to nominate representatives for each of the NEDLAC bodies. BUSA presents mandated positions in NEDLAC that are developed through its standing committees. For example, the Standing Committee on Trade Policy at BUSA will consider all the matters on the NEDLAC agenda, and canvas the views of the membership before presenting positions for discussion with government and labour. This process tends to focus on the industrial sectors of the South African economy as agriculture has its own forum in the ATF. BUSA does, however, attempt to coordinate positions in both NEDLAC and the ATF in order to get an overall picture on trade policy matters.

Source: Adapted and updated from African Development Bank (2011).

There is not a conclusive assessment available of current State-business relations in South Africa. In 2010, Nattrass and Seekings (2010, p.68) considered specifically NEDLAC and found that "State-business relations remain fragile and highly fragmented". They attributed this to the legacy of apartheid and the racialised, personal nature of the engagements between government and the private sector in South Africa. In 2011 Grant (2011, p. 5) contended, "the relationship between the government and private sector in South Africa has not always been particularly close". She went on to explain that

> [t]he formation of the National Economic Development and Labour Council (Nedlac) in 1995 provided a formal platform for engagement on a wide range of economic issues between government, business and labour. Nedlac has achieved mixed results, which has often depended on the commitment of the relevant government department to engage on policy matters. (*Idem*, p. 5)

These observations would appear to still hold in 2014 and, if anything, a greater distance has been created between the government and business since 2011. The relationship is not healthy given the high levels of mistrust that appear to exist on both sides. A South African commentator, Aubrey Matshiqi, recently described the relationship as having "mutated into a crisis of confidence"[2]. There is a rhetorical commitment from the highest levels of the South African government (refer Government of South Africa, 2013) to co-operate and interact with the private sector. This is much more difficult than expected. In practice the relationship is bedeviled by perceptions, procedural challenges and, in some instances, ideological differences; for example, the South African government, including the ruling alliance partners of the African National Congress, has made it clear that there is a widely held perception that the private sector does not share the ANC objectives of development and is only concerned with generating profits.

The government continues to struggle with the question of who the private sector is and, in many instances, there are different interpretations depending on the object of the consultation. South Africa currently has hundreds of thousands of registered companies that operate in all spheres of the economy. They range in size from one person operations (micro enterprises) to multinational corporations that compete with the largest in the world as reported in the Forbes Top 2000 companies register (Forbes, 2014). The interaction of these firms with government structures varies greatly. Some (probably the vast majority) will simply pay taxes and demand the most basic of services at a local level. Others will have dedicated resources that are responsible for managing the interactions with government on both commercial matters and the development of policy. It must be noted that this description largely applies only to the formal sector, yet there is a large informal component to South Africa's business community that is difficult to capture for the purposes of research (Ndabeni and Maharajh, 2013).

NEDLAC has been cited as the platform of choice for social dialogue in South Africa and this was reconfirmed in the New Growth Path and the National Development Plan[3]. As assessed by Grant (2011), NEDLAC has a mixed track record and its contribution to State–business

[2] "Seifsa paints a gloomy picture of the economy", 13 October 2014, BD Live website. Retrieved from http://www.bdlive.co.za/business/trade/2014/10/13/seifsa-paints-a-gloomy-picture-of-the-economy.

[3] The New Growth Path and the National Development Plan are two of the key policy documents that make up the overarching framework for South Africa's socio-economic development.

relations could be interpreted in many different ways. It is a tripartite mechanism that includes not only government and business, but also constituencies from labour and civil society. The various constituencies face their own internal challenges and there is not necessarily the willingness to come together as was demonstrated in the 1990s. NEDLAC was recently described in a South African newspaper editorial as "irrelevant"[4] and a call was made for NEDLAC to be reformed with a negotiated accord between the government, business and labour at its heart.

Under former President Thabo Mbeki, NEDLAC engagement was supplemented by dedicated working groups between government and business. The most high profile of these was the Big Business Working Group (BBWG), as described by Qobo (2010, p. 23), which met regularly and involved captains of industry. There were, however, working groups that included black business, the agriculture sector and foreign investors, all of whom contributed to regular interactions between government and the private sector at the highest level.

President Zuma's administration chose not to retain the business working group approach developed under the leadership of Mbeki (Qobo, 2010, p. 23). The regular meetings were discontinued and replaced with ad hoc interactions that often included the other NEDLAC constituencies as well; for example, President Zuma hosted a number of consultations on South Africa's response to the global financial crisis since 2009 and has also had engagements with business to discuss the National Development Plan.

The current lack of effective State–business relations in South Africa cannot be blamed only on one side. It has not been helped by the ongoing struggle among business itself to coordinate its interactions with government, including through umbrella private sector organisations. Some progress had been made in this regard, with the formation of BUSA in 2004. For a number of years, both government and the private sector widely acknowledged BUSA as the leading voice on policy issues; this included through its coordination of the business constituency in NEDLAC.

[4] http://www.bdlive.co.za/opinion/editorials/2014/10/16/editorial-irrelevance-a-real-danger-to-nedlac. Accessed on 18 October 2014.

In 2011 organised business in South Africa suffered a major setback resulting in a split along racial lines that mirrored the situation before the formation of BUSA. Some black business associations felt that BUSA was no longer able to represent their interests, especially on issues related to economic transformation. Following an acrimonious debate over BUSA leadership, particularly the positions of president and CEO (both of which were traditionally held by representatives of the black business constituency in BUSA), the BBC pulled out of BUSA and re-established itself as an apex business body. It had been one of the founding members of BUSA but effectively merged with Business South Africa into the umbrella body in 2004. The BBC was recognised by the government as being on a similar footing to BUSA, as is evidenced through the participation of both BUSA and BBC representatives in meetings with the president of the country and in structures such as the BRICS Business Council.

1.2 South Africa's Economic Diplomacy

State–business relations are a critical dimension of economic diplomacy, which has been defined by Rana (2007, p. 1) in the following way:

> [E]conomic diplomacy is the process through which countries tackle the outside world, to maximize their national gain in all the fields of activity, including trade, investment and other forms of economically beneficial exchanges, where they enjoy comparative advantage; it has bilateral, regional and multilateral dimensions, each of which is important.

It is relevant for this paper to consider the interactions between the public and private sectors in South Africa with regards to economic diplomacy given its importance for the relationships with the EU, US and other African countries. In the South African context Vickers and Ajulu (2008, p. 5) describe economic diplomacy as "policies and activities that promote trade, FDI, tourism, and technology transfers to South Africa, and positively position the country in the world through imaging, branding, marketing and public diplomacy (domestic and international)". Both these definitions highlight activities that are predominantly in the sphere of the private sector and that require the close cooperation among government and business in order to achieve the objectives of the policies. The South African Department of International Relations and Cooperation (2011, p. 28) specifically acknowledges this in a *White Paper on Foreign Policy* that notes: "successful economic diplomacy requires a close partnership with government, business and labour". Economic diplomacy is a South African priority with its own section in the DIRCO White Paper (2011, p. 26) as well as the ANC policy paper on international relations (ANC, 2012, p. 26). The strong focus on economics in South Africa's international relations has continued since President Mbeki adopted what has been described as a "pragmatic and economic-driven foreign policy approach" (Landsberg, 2005, p. 732).

Rana (2007) has developed a rough economic diplomacy typology for assessing the economic diplomacy of developing countries. The typology considers eight factors: external economic management, policy management, role of non-State actors, economic aid recipient, economic aid donor, trade promotion, investment promotion and regional diplomacy role. The result is the classification of developing countries as traditional, niche-focused, evolving and innovative when it comes to economic diplomacy. Applying Rana's (2007) typology to South Africa, it could be broadly placed in the group of "evolving developing countries". South Africa's economic diplomacy has evolved on many levels but there is still a need for a more specific definition of objectives as well as to develop the interaction between stakeholders. The interaction between government and the private sector in South Africa could be seen as more "traditional", because the interaction is "episodic, depends on personalities", or at best "niche-focused" with "variable" engagement between stakeholders (Rana, 2007).

To date the focus of South Africa's economic diplomacy has been on export and investment promotion plus the development of rules of the game or norm and standard setting (Qobo, 2010, p. 19) in multilateral organisations and on participation in groups such as the G20 and BRICS. These priorities are based on domestic policy objectives and broader aims of African development, including through regional economic integration. In the 20-year review of South Africa's foreign policy, Zondi (2013, p. 5) concluded that

> "While South Africa has proposed to conduct both political and economic diplomacy since 1994, the diplomatic service still does not have adequately and appropriately skilled personnel to do this. Government has not significantly leveraged the availability of economic and commercial expertise in various departments, civil society and in the business sector in order to beef up its economic diplomacy capacity. The introduction of economic diplomacy into diplomatic training programmes is a small, but significant step in the right direction."

South Africa's economic diplomacy initiatives in the rest of the continent are hampered by the government's wariness of being perceived as an arrogant, hegemonic actor (Landsberg, 2005, p. 733). For example, South Africa's intervention in the Democratic Republic of the Congo (DRC) in the late 1990s and early 2000s was described as "vagabondage politique" by Taylor and Williams (2001). They also suggested that the notion of an African renaissance was about maximizing South Africa's strategic options at the expense of development (Taylor and Williams, 2001). Vickers and Ajulu (2008, pp. 20-22) add to this by confirming that there are commonly held perceptions about the South African government facilitating the expansion of business into the continent through peacebuilding initiatives that have been likened to western imperialism. These perceptions are contradictory with the stated view of the ANC that South Africa has "deliberately avoided playing a hegemonic role in African institutions and politics" (ANC, 2012, p.14).

Qobo (2010, p.15) has tackled this concern head on and argues that "a hegemon can have a good influence as well as a bad one". He suggests that the hegemonic role (including that of South Africa in the region) can be positive where it implies a consensual platform of values and norms that other countries buy into with the necessary underwriting of certain costs in the areas of security and economic development (Qobo, 2010, p.15). It is on that basis that Qobo (2010, p.23) emphasises the need for the public and private sectors in South Africa to work together in order to develop further the economic diplomacy of the country. There is a clear potential to mutually agree on an approach that is both supportive of the economic development of the African continent and protective of the assets and access to profits of the South African business community.

2. The private sector and socio-economic development

2.1 Overview of South African Economic Policy

Table 1: Economic Indicators for South Africa (2013 in USD)

GDP	$350.6 billion
Annual GDP growth	1.9%
Population	52.98 million people

GNI Per Capita (Atlas method)	$7,190
Life expectancy	56 years
Current account balance	-5.3% GDP

Source: World Bank (2014).

Since the first democratic elections in 1994, the South African economy has grown at a steady pace (averaging 3.08% between 1994 and 2014 (Trading Economics, 2014)) but there remain many socio-economic challenges. Growth has recovered since the low of 2009 but it remains much lower rate than the 5% targeted by the government in the National Development Plan. South Africa is currently confronted with not only relatively low levels of growth but also high levels of unemployment and of inequality. It is this 'triple threat' that preoccupies much of the discourse around economic policy in South Africa.

The latest IMF World Economic Outlook (IMF, 2014, p. 10) anticipates that annual GDP growth in South Africa in 2014 will be 1.4%. There has been a decline in the forecast for growth throughout the year that has been attributed to the impact of industrial action and delays in fixing the infrastructure gaps. The IMF (2014, p. 23) noted that South Africa (and other major emerging market economies) need to undertake important structural reforms in order to raise growth more robustly. In the case of South Africa, the priorities include removing infrastructure bottlenecks in the power sector; implementing reforms to education, labour, and product markets to raise competitiveness and productivity; and government services delivery. The South African Reserve Bank (SARB) has a slightly more optimistic growth forecast of 1.5% for 2014 but overall agrees with the IMF assessment that there is a need for structural reforms if sustained economic development is to be achieved.

With regards to the current monetary policy space in South Africa, the inflation rate is targeted to remain in a band of 3-6% by the SARB. This has largely been achieved and in 2013 the rate of inflation was 5.77%[5]. Inflationary pressure in South Africa comes from a number of different sources, including the costs of essential services, such as electricity, but one of the main drivers is the exchange rate. South Africa has a free-floating currency that is actively traded on global markets and considered to be among the top eight most traded currencies. The South African rand has seen some volatility in recent years together with a number of

[5] http://www.inflation.eu/inflation-rates/south-africa/historic-inflation/cpi-inflation-south-africa-2013.aspx

other emerging market currencies. This has serious implications for monetary policy in South Africa and is also a concern raised by exporters and other private sector players at different times (depending on whether the rand is perceived to be under or over valued).

Since the first democratic elections in 1994, South Africa has developed a number of different economic policy plans. There is not the space available in this paper to explore the historical shifts that have taken place in this area over the years. It is worth noting however the current policy framework in place and the role of the private sector in this regard. At an overarching level the National Development Plan[6] (NDP) was finalised in 2011 after a process involving the 26 commissioners that made up the National Planning Commission, including representatives of the business community. It has not been without controversy but the NDP was endorsed in the election manifesto of the ANC in 2014 and subsequently adopted by the new Cabinet as "the key guide to government to business over the next five years" (Theobald, 2014, p.8). The NDP proposes a vision for South Africa until 2030 that seeks to eliminate poverty and reduce inequality (from Gini coefficient 0.7 to 0.6). It is an extensive document that covers a range wide of social and economic issues. There are other more specific plans that address aspects of the NDP in additional detail, including the Industrial Policy Action Plan, Trade Policy Strategy Framework and New Growth Path as well as the Integrated National Export Strategy that is currently being finalised.

At a broad level the NDP has been welcomed by the South African private sector who have been prepared to engage with the overall strategic objectives as well as some of the detail (for example, the education chapter through the National Education Collaboration Trust). Five task teams involving government and business have been set up to discuss a number of mutual priorities in the NDP – education and skills development, infrastructure, regulatory impact on investment, labour relations, and inclusive growth. Business has admitted that progress in the task teams has been slow but that each of them has drafted a plan of action, which is starting to be implemented (Anthony, 2014, p.14).

One issue that is a common thread throughout different chapters of the NDP is the need to address the challenge of youth employment that is faced by South Africa. The World Economic Forum has estimated that unemployment for people between the ages of 15 and 24

[6] Available at http://www.npconline.co.za/medialib/downloads/home/NPC%20National%20Development%20Plan%20Vision%202030%20-lo-res.pdf.

years is over 50% in South Africa making it the third highest level in the world (behind Greece and Spain)[7]. Official Stats SA information has the unemployment rate for people aged between 15 and 34 years at 36% (Stats SA, 2014). The NDP talks to education, skills and training as a priority area, including to achieve progress in reducing inequality. South Africa is also prepared to consider innovative social measures to tackle this pressing challenge and has been piloting and refining a youth wage subsidy programme that would work with the private sector to encourage greater uptake of young people seeking to enter the job market.

2.2 Key Sectors for Development and Structural Transformation

Trading Economics (2014) describes the current composition of the South African economy as follows:

> The largest sector of the economy is services which accounts for around 73 percent of GDP. Within services, the most important are finance, real estate and business services (21.2 percent of GDP); government services (13.6 percent of GDP); wholesale, retail and motor trade, catering and accommodation (12.5 percent of GDP); and transport, storage and communication (9 percent of GDP). Manufacturing accounts for 15.3 percent of GDP; mining and quarrying for around 5.1 percent of GDP and agriculture for only 2.2 percent of GDP.

The "strong decline" in manufacturing in South Africa (Fedderke, 2014) is of particular concern to policymakers and has been the focus of discussions on the structural transformation required to create more jobs and address inequality. The Industrial Policy Action Plan (IPAP) (DTI, 2014) sets out in significant detail the priority sectors for the industrialisation and development of the South African economy as part of a three year rolling plan. The areas that have been identified as having potential to contribute both to growth and employment are focused on manufacturing on the basis that it has the highest economic and employment multipliers of any sector (DTI, 2014, p. 13). Key sub-sectors include automotives; capital equipment; agro-processing; clothing and textiles; and plastics, chemicals and pharmaceuticals. The IPAP is accompanied by a number of other government programmes aimed at supporting economic development and structural transformation. These include incentive schemes, export support funds, and financing products. In South

[7] http://www.fin24.com/Economy/SA-youth-unemployment-3rd-highest-in-world-20140120

Africa, there are such programmes offered at the national and provincial level with support agencies also existing in some of the larger cities or municipal areas.

Since its inception the IPAP has achieved success in a few specific areas but it has been hampered at a broad level by challenges in the overall business environment in South Africa. There is a range of tools to measure business confidence in the country and also among foreign investors. South Africa also has a vibrant public debate in this regard and participates in the international efforts aimed at ranking countries across a wide range of indicators. From these sources, it can be summarised that the main socio-economic concerns for the private sector include industrial actions, labour market constraints, reliable access to energy and water, skills, infrastructure, policy coherence, and the regulatory environment. If South Africa is to be successful in developing its economy then it is important to balance the sector specific initiatives set out in the IPAP with broader reforms that have an economy wide impact.

2.3 Regional Economic Development and South Africa

Southern African Customs Union

South Africa is a member of the Southern African Customs Union (SACU) together with Botswana, Lesotho, Namibia and Swaziland (BLNS). SACU is the oldest customs union in the world and has been functioning for over 100 years. There is a common external tariff in place between the SACU members and a common monetary area exists with the exception of Botswana. At the heart of the customs union is a complex revenue sharing formula that distributes the income from trade among the five member States. The formula reflects the share of each country in the trade of the region but also includes a developmental component, which effectively sees South Africa contribute funds to the other members in compensation for the effects of agglomeration in a regional agreement dominated by one major player. Through the SACU revenue pool, South Africa contributes up to 1% of its GDP to the budgets of the BLNS. This is a significant amount of money and makes for a complex set of relationships between South Africa and its direct neighbours.

SACU set itself an ambitious agenda for economic cooperation when the foundation agreement of the body was revised in 2002. Its members sought to develop common policies on trade and industrial development as well as establish a number of regional bodies, such as a tribunal and regional tariffs board. While some progress has been made, SACU has struggled with full implementation of its commitments. The most notable impact of the new SACU agreement was in the area of trade negotiations where it has no longer been possible for South Africa (or the BLNS) to negotiate bilateral agreements. Most recently SACU concluded an Economic Partnership Agreement (EPA) with the EU that will see the phasing out of existing bilateral arrangements, including the Trade Development and Cooperation Agreement (TDCA) between South Africa and the EU.

The coming year is expected to be a difficult one for SACU as it will be necessary to conclude the process to review the revenue sharing formula. There has been pressure to do so since the global financial crisis, which highlighted the reliance of some SACU members on the revenue pool and the vulnerability of the arrangement to shifts at the global level (especially in relation to the trade of automobiles). South Africa is also experiencing increasing fiscal pressure and is keen to ensure that its contribution to SACU is in line with its policy of developmental regionalism. There have been concerns voiced by some in the South African Government about the nature of the SACU arrangement and its failure to deliver greater economic development for the region[8]. A series of bilateral consultations are taking place between South Africa and the BLNS on the future of SACU. It is anticipated that these will be complete and that there will be high-level political engagement on the way forward in late 2014 or early 2015.

Southern African Development Community

South Africa is a member also of another regional economic community - the Southern African Development Community (SADC). SADC has a strong history as a political organisation even though there has been some more recent progress in the area of economic integration. South Africa plays a leading role in SADC initiatives aimed at ensuring peace and security in the region, as demonstrated by its mediation of the political crisis in Zimbabwe and most recently in Lesotho. There is a balancing act to be played by South Africa in these efforts where it does not want to be perceived as the dominant force in the region or a 'bully', but the reality is that as the largest economy it is able to contribute significant capacity and resources to assisting in regional initiatives. With this in mind, South Africa has traditionally not been particularly active in the SADC Secretariat but it currently has a former government official in the position of Deputy Executive Secretary. This comes at an important time for setting out the future

[8] http://mg.co.za/article/2013-11-29-00-sacus-day-of-reckoning-has-arrived

priorities of the regional economic community (REC) as it seeks to adopt a revised version of the Regional Indicative Strategic Development Plan (RISDP).

With regards to socio-economic development within SADC, there are a number of regional initiatives underway in a broad range of areas. It is not possible to touch upon them all here. One area that is of particular interest to the South African private sector is the implementation of the SADC Trade Protocol. A free trade area was successfully launched among some SADC member states in 2010 and now covers nearly all trade in goods in the region. South Africa was at the forefront of the liberalisation of its market to allow duty-free access for many of the products imported from its SADC neighbours. Unfortunately this has not resulted in significant increases in exports from other SADC countries to South Africa. The removal of tariffs is only one aspect of the trade agenda and there are many other challenges with regard to the full implementation of the FTA which have been highlighted by the private sector in the region, including the high costs of transportation, trade facilitation challenges, lack of harmonised regulation and standards etc.

3. The private sector and governance and democracy

3.1 Overview of Governance and Democracy Indicators in Southern Africa

In 2014 South Africa was ranked as the 4th best performing country out of 52 in the Ibrahim Index of African Governance [9]. This reflected a slight move upwards with an overall score of 73.3 out of 100. South Africa scored highest in the area of human development, second on participation and human rights, third on sustainable economic opportunity, and worst on safety and rule of law.

3.2 Challenge of Combatting Corruption

One of the most prominent issues in governance debates in South Africa is that of corruption. There is a lively debate in the media that looks at the behaviour of the public and private sectors in this regard. High profile cases have included investigations into the procurement processes around the purchase of military equipment by the South African government in the

[9] http://www.moibrahimfoundation.org/downloads/publications/2014/2014-iiag-country-profiles.pdf. Accessed on 8 October 2014.

late 1990s/early 2000s as well as more recently the upgrades made to the private residence of President Zuma at Nkandla. Private sector activities tend to be discussed most often in the context of the competitive behaviour of specific sectors, with the South African Competition Commission pursuing investigations into construction, pharmaceuticals, banks, and private health care among others.

There are a number of public institutions established in South Africa with the aim of dealing with corruption related matters. These include the Auditor General, Public Protector, Public Service Commission, various ombudsmen and independent complaints directorates, as well as investigating units. Within the private sector, those companies that are listed on the JSE are held to high standards of account, including through the King codes of conduct as well as global initiatives such as the UN Global Compact.

Beyond these formal institutions, social dialogue that includes government, business and civil society has been at the heart of South Africa's anti-corruption response since the first interactions took place in 1998. The National Anti Corruption Forum (NACF) was launched in 2001 and has continued make slow progress in facilitating engagement between stakeholders on a range of issues related to combatting corruption in both the public and private spheres. Like NEDLAC in some ways, the NACF has struggled to fulfil its potential because of challenges within the constituencies that participate in its work who have not always put forward effective representation or common positions. There have also been issues surrounding the institutional support for the NACF and the commitment of government to engage.

It is worth mentioning that Parliament and the media both play critical roles in the vibrant democracy that is South Africa. They have the ability to provide oversight and information on the activities of government as well as private sector players. These institutions can provide an important link between the wider population and policymakers so as to ensure that governance structures are held to account and are also required to communicate effectively about their activities.

4. The private sector and peace and security

4.1 Crime and Security in South Africa

At the domestic level, the primary concern in South Africa with regards to peace and security are the ongoing high levels of crime and criminal activity. The official crime statistics in South Africa indicate that there were 17,068 incidents of murder in the country in the year from 1 April 2013 to 31 March 2014 (Africa Check, 2014). There are also significant numbers of other violent crimes reported, including those against women and children. This has resulted in a negative perception of South Africa has an environment in which to live and do business. For example, in the World Economic Forum Global Competitiveness Report 2014 South Africa is rated 133 on the indicator of business costs of crime and violence. The Mo Ibrahim Governance Index also sees South Africa as a relatively unsafe country in comparison to some of its African neighbours.

In the context of the activities of the private sector, there are particular types of criminal activity that can have a direct impact on the business environment. South Africa has an average number of 202 businesses burgled on a daily basis (Africa Check, 2014) and a particularly worrying trend of targeted attacks on large retail operations by armed gangs in the second half of the year. Other criminal activity, such as the theft of cooper cabling or piping, can also have a particularly negative commercial impact due to the disruptions that result to the provision of essential services such as water, electricity and transport.

In response to the challenges of national security in South Africa, the private sector started an initiative in 1996 to support the work of the government to reduce the levels of crime in the country. Business Against Crime South Africa (BACSA) is a "a special purpose vehicle, with the sole mandate to engage and give support to Government on crime-related matters. BACSA has two distinct roles. The first is to get business' 'own house in order' by eliminating crime-enabling processes, systems and approaches, and improving crime prevention measures within the control of business. The second is to partner with Government, when invited, by sharing expertise, information, processes and technologies resident in business. These roles are fulfilled primarily by mobilising business skills and resources in Government-defined areas of need, and the strategic alignment and coordination of business' anti-crime strategies and priorities." (BACSA website http://www.bac.org.za). While there is still much to be done with regards to the security situation in South Africa, BACSA is widely recognised as a useful vehicle for engagement between the public and private sectors on the issues.

4.2 South Africa as a Regional Peacemaker

Peacebuilding is a priority in South Africa's foreign policy as part of the championing of economic development of Africa (Nganje, 2013, p.2). The DIRCO White Paper (2011, p.20) states that "South Africa will therefore continue to play a leading role in conflict prevention, peacekeeping, peacebuilding, and post-conflict reconstruction" in the Africa section of the document, reflecting the view that peace and stability are important preconditions for economic development. The efforts of South Africa as a peacemaker on the continent have been widely recognised or "acclaimed" as described by the ANC (2012, p. 14). Landsberg (2005, p. 725) notes that by the end of the first decade of democracy, South Africa had become a respected middle power including on the back of its "peacemaking and democratization role in Africa". Importantly South Africa's peacebuilding has been traditionally pursued through partnerships and with deference to the role of African institutions (ANC, 2012, p. 18). According to Qobo (2010, p. 15) "the African orientation has earned South Africa legitimacy and stature in the global community" for its role as a peacemaker.

Traditionally peacebuilding has been viewed as the realm of the State, particularly defence forces and development cooperation agencies. The United Nations (1992, p. 57) has recognised however that peacebuilding includes "sustained, co-operative work to deal with underlying economic, social, cultural and humanitarian problems". Curtis (2012, p. 14) confirms this shift by acknowledging that there is now a "focus on how to restructure economies internally so that countries can attract foreign investment and be better integrated into the global economy" in peacebuilding programmes. Such activities in post-conflict States require cooperation between the public and private sectors or a more multi-track diplomacy approach (McDonald, 2003). Rettberg (2010, p. 4) describes the private sector as a "crucial source of resources, know how, and institutional capacity for building peace".

The Trade Policy and Strategy Framework (DTI, 2012, p. 35) as part of the South African government policy acknowledges the role of the private sector in post conflict restoration even if there are difficulties in partnering with the private sector in peacebuilding (Rettberg, 2010, p. 4) and South Africa's role in its region is no exception. For example interactions with business organisations in the DRC and South Sudan in the past have been limited and ad hoc. These took place normally in the run-up to a State visit or a trade and investment promotion event. Hendricks and Lucey (2013) look at the case study of Burundi and South Africa, identifying five memoranda of understanding and an implementation commission that resulted from a State visit. However, if there is to be any further progress in the relationship between the two countries with a view to the reconstruction of Burundi then "South Africa should increase coordination between government departments, business and NGOs in order to maximize impact, access commercial opportunities and provide sustainable post conflict development and peacebuilding assistance" (Hendricks and Lucey, 2013).

Similar to the case of South Africa's economic diplomacy, there is a fine line between engaging with the private sector as a useful player in peacebuilding initiatives and ensuring that these efforts are not perceived as aiming only at commercial gains. Traditionally there have been few direct linkages between South African investment and government actions, except in the case of State owned enterprises or parastatals (such as the South African power utility company – Eskom) (Alden and Soko, 2005, p.381). This has come into question recently when the South African media reported that the presence of South African troops in the Central African Republic (CAR) was linked to ANC business interests in the diamond mining industry there[10]. In September 2014, South African government and business leaders were accused of meddling in the 2010 election in Guinea in order to secure mining interests in that country[11]. These claims have the potential to undermine the good work done by South Africa as a peacemaker on the continent and there is no doubt that they further complicate the interactions with the private sector in the area of peacebuilding.

Recommendations

At the heart of improving the interactions between the public and private sectors in South Africa is the need to strengthen State-business relations at the highest levels in order to develop mutual trust between key stakeholders. Unfortunately NEDLAC is not sufficient as a platform for engagement between South African stakeholders on socio-economic challenges. It has not resulted in the necessary level of coherence in South Africa's economic policy trajectory, which is needed to provide reassurance to the business community and encourage greater participation in the transformation and development of South Africa and the region. The following are some specific recommendations as to what could be done to achieve more effective cooperation between government and the private sector in South Africa. While

[10] Mail & Guardian, 2013,. http://mg.co.za/article/2013-03-28-00-central-african-republic-is-this-what-our-soldiers-died-for.
[11] Mail & Guardian, 2014. http://mg.co.za/article/2014-09-11-sa-spooks-fixed-guinea-poll.

many of these recommendations require implementation by domestic stakeholders, there is space for support from partners, such as the EU and the US, and this is indicated in specific instances below.

Improving State-Business Relations in South Africa

- At the heart of the challenges in interactions between the public and private sectors in South Africa is a high level of mistrust. This is likely to only be resolved in the long term but can be encouraged through initiatives to improve communication between the State and business. For example, the system of business working groups and advisory councils that was used by President Mbeki (Qobo, 2010) could be revived and something similar put in place to supplement the consultations at NEDLAC.
- Organised business structures in South Africa have suffered a number of setbacks in recent years, which has resulted in there being a gap at the policy level. There is a need to help strengthen those business chambers and organisations that can contribute to the broad-based representation of the views of the private sector as a whole and also provide a much-needed role in sharing information.
- International partners can encourage South Africa to include the private sector in policy debates on issues under discussion through platforms such as the Strategic Partnership between the EU and South Africa.
- There are active groups representing the foreign investment interests of the EU and US in South Africa, such as the American Chamber of Commerce and a relatively new grouping of the European chambers of commerce. These bodies could be used to actively encourage greater levels of interaction between the public and private sectors in South Africa.

Strengthening South Africa's Economic Diplomacy

- As discussed above, economic diplomacy in South Africa has tended to focus on the tools required for trade and investment promotion (which is more related to commercial diplomacy) and multilateral negotiations rather than developing an overarching shared policy vision among key stakeholders. Vickers and Ajulu (2008) called for "a new global economic strategy" that reflects better coordination of South Africa's political and economic diplomacy, particularly in Africa. Similarly Qobo (2010) suggested more focus and distinctly expressed priorities in the area of economic diplomacy. It is therefore recommended that South Africa develop a comprehensive strategy on its global economic engagements through a consultative process that involves both the public and private sectors.

- Another suggestion is for the South African government to use the approach suggested by Rettberg (2010, p. 4) where strategic engagement and consultation starts with a "critical mass" of firms, with the expansion of this group coming in a later phase. Rather than seeking extensive inclusion of the private sector in economic diplomacy initiatives, including in the rest of Africa, the starting point could be a core group of companies that are already active or have a potential interest. For example, in post-conflict countries like the DRC and South Sudan, a number of South African firms have already been identified by Hendricks and Lucey (2013a, p. 6 and 2013b, p. 3) as those who could be part of a critical mass approach. This group could also include participation by state owned enterprises as well as other civil society representatives so as to ensure a comprehensive approach to reconstruction and peacebuilding.

- In their work on South Africa's role in the DRC, Hendricks and Lucey (2013a, p.6) suggest, "prescribed ethics for the conduct of business" by South African companies. This echoes a proposal that was put forward by the ANC for a code of conduct. In 2012, the ANC (2012, p.35) noted that some work had already been done on this but it had not been implemented. It is understood that a set of 'guidelines' was prepared and that it was discussed with some private sector representatives. It has not yet been finalised and this might be explained by a number of factors, including a possible disinterest from South African firms. It is recommended therefore that further discussions take place between the public and private sectors in South Africa against the backdrop of existing codes of ethics and good practice that are used by firms with a view to identifying if the guidelines for South African companies would add any value. It may be worthwhile to also explore a possible monitoring mechanism to oversee implementation of the guidelines.

Socio-Economic Development

- The recommendations made above on strengthening State-business relations in South Africa will go some way to improving the potential for the socio-economic development plans (such as the National Development Plan) to be fully implemented and for the their to be some improvements in growth, employment and inequality as a result. The private sector is already actively engaged in supporting a number of priority areas, including education, and these initiatives could be expanded with greater participation from the relevant government agencies as well as other civil society groups. Organised business needs to become better equipped to participate and make effective use of the opportunities provided by the task teams set up to discuss implementation of the NDP.

Governance and Democracy

- South Africa has an active Parliament that is willing and eager to engage in ensuring that good governance is retained in the country. It is a key institution in maintaining a vibrant democracy in South Africa. There is scope for further interactions between the European Parliament and the South African Parliament to deepen exchanges on best practices and common issues.
- The public agencies established to monitor the activities of both the public and private sectors (such as the Public Protector and the Competition Commission) play an important role in South Africa's governance system. They need ongoing moral support from the broader public as well as the private sector. It might not be easy for development partners, such as the EU and US, to play a direct role in supporting these institutions but there could be opportunities to foster linkages with similar bodies in other parts of the world and to include regular interactions on matters of mutual interest.
- As a member of the G-20, South Africa is expected to participate in the anti-corruption activities set out in the work plan for the group. There is a chance there for the EU, US and other G-20 members to review the information submitted by South Africa on its governance structures and to interact on ideas to deal more effectively with corruption. The National Anti Corruption Forum could be supported to become more actively involved in implementing the G-20 recommendations in South Africa.

Peace and Security

- The challenge of combatting crime and criminal activity in South Africa requires the ongoing support of the private sector for initiatives such as Business Against Crime. Such organisations can assist the government in identifying the impact of criminal activity on the economic development of the country as well as acting as a channel for private sector resources that can complement those deployed by the state to deal with crime.

- The business organisations supporting members from Europe and the US could be encouraged to participate more actively in debates on crime (perhaps through Business Against Crime), including presenting the impact on the investment environment.

Further Research and knowledge development

- South African academics and researchers could be encouraged to engage in more work on State-business relations, including with the support of international partners. To date the published research is very limited and has tended to focus on NEDLAC (e.g. Nattrass and Seekings, 2010). It is also now quite dated.

- When looking at interactions between the public and private sectors, it is always easier to generalise and describe broad trends rather than focus on specific sectors and firms. There is a need for more detailed sector and firm level research that aims to develop a greater understanding of the decision making processes and factors of consideration for South African companies. It is only with that understanding that it will be possible to develop effective mechanisms for engagement on the range of policy issues covered by this paper.

- It might be useful to undertake more detailed case studies on specific initiatives between the public and private sectors in some of the areas discussed in this paper. In the first instance, these could be aligned with the priorities under the EU-South Africa Strategic Partnerships so as to provide useful lessons that could be fed into the discussions between government agencies.

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Draft paper on

PROMOTING STABILITY AND DEVELOPMENT IN AFRICA: FOSTERING COOPERATION BETWEEN PUBLIC AND PRIVATE SECTORS
A Case Study of Mozambique

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DRAFT- NOT TO BE QUOTED

Acronyms

ACPS	Annual Conference of the Private Sector
BEIS	Business Environment Improvement Strategy
CMEA	Council for Mutual Economic Assistance
CTA	Confederation of Economic Associations
ERP	Economic Rehabilitation Program
ESRP	Economic and Social Rehabilitation Program
FRELIMO	*Frente de Libertação de Moçambique*
GDP	Gross Domestic Product
IMF	International Monetary Fund
NATO	North Atlantic Treaty Organization
OECD	Organization for Economic Cooperation and Development
PARP	*Plano de Acção para a Redução da Pobreza*
PARPA	*Plano de Acção para a Redução da Pobreza Absoluta*
PSWG	Private Sector Working Group's
RENAMO	*Resisténcia Nacional de Moçambique*
SADC	Southern Africa Development Community
SOEs	State Owned Enterprises
UK	United Kingdom
USA	United States of America
USSR	Union of Soviet Socialist Republics
ZANU-PF	Zimbabwe African National Union – Patriotic Front
SWAPO	South West Africa People's Organization
ANC	African National Congress
MPLA	*Movimento Popular de Libertação de Angola*
FDI	Foreign Direct Investment

Introduction

Public-private[1] relations in Mozambique in the fields of social and economic development, governance and democracy, peace and security are complex because they are deeply rooted in the history of the country. Several reasons make Mozambique as a case study worthy of investigation. They are: (i) the fact that Mozambique has been growing continuously over twenty years, with the last ten years registering an average growth of 7.5%, (ii) the fact that Mozambique has maintained peace for over twenty years, despite some localized pockets of instability, (iii) the fact that it is a country with great potential in terms of strategic energy resources such as coal, natural gas and oil, (iv) In addition, Mozambique is a country that is increasingly attracting foreign direct investment and (v) where public-private relationships are steadily consolidating.

The study is divided into four sections. The first section presents a historical summary of Mozambique ideological trajectory, from socialism to capitalism. It is followed by a description of the evolution of public-private relations since 1975, divided into three periods: the period of the predominance of the public sector over the private sector; the transition period which marked the beginning of coordination between public and private sectors; and the period of consolidation of public-private coordination. The third section analyzes the relationship between private sector and democratic governance using the indicators of good governance as presented by Kaufmann-Kraay-Mastruzzi (2010:4). The fourth section discusses the relationship between private sector and security. The study summarizes its findings in form conclusion.

[1] Public sectors is composed by all entities controlled or owned by the government. It includes non-market oriented institutions that offer public service (Ministries, Municipalities) and market oriented entities such public companies, municipal companies other economic units were the government is the owner or major shareholder. Private sector refers to market oriented entities that are not owned or controlled by the government (owned by individuals or group of people), such as companies, business or other activity that produces economic or financial profits.

Historical Overview: From Socialism to Capitalism

Mozambique became independent from the Portuguese colonial regime on 25 June 1975. At that time, the ruling government led by the *Frente de Libertação de Moçambique* (FRELIMO)[2] adopted socialism as a governance system. The socialist approach became consolidated in 1977, when FRELIMO met in the third Congress. The choice for socialism as the state's ideology was motivated by several factors linked to the international system, the southern Africa region and domestic considerations.

Internationally, when Mozambique became independent, the world was dominated by the Cold War which saw the West led by the United States of America (USA) and the East led by the Union of Soviet Socialist Republics (USSR) intensely opposed. During the colonial period Portugal, as a member of the North Atlantic Treaty Organization (NATO), had prevented FRELIMO from getting substantial support from the West during the liberation struggle (1964-1974). Only a few countries such as the Nordic states and especially Sweden did not align with this policy. In contrast socialists and socialist-oriented countries especially the USSR, China and independent African countries, notably Tanzania, supported effectively the Struggle for Liberation of Mozambique.

Socialist support to the countries that were fighting for independence from colonial powers was crucial both in Africa and in Asia. It was a key factor in the independence of many sub-Saharan Africa countries in the 1960s. As a result, a significant number of them adopted socialism as State ideology. Several African socialist countries supported the liberation of other African people, which remained under colonial rule, for instance: Tanzania, Zambia, and Algeria were decisive in the struggle for independence of Mozambique. Therefore, the international system dominated by the Cold War created the conditions for Mozambique's decision to adopt socialism as the dominant ideology of the newly independent State.

[2] Liberation Front of Mozambique

Angola and Mozambique became independent in a difficult regional political context. Malawi was governed by President Hastings Kamuzu Banda, who undermined the political and military struggle for independence in Zimbabwe and Mozambique. Zimbabwe was under the rule of Ian Douglas Smith and South Africa was under the apartheid regime, which also ruled in Namibia. Both Malawian and South African regimes had good relations with the West while many Liberation movements such as the Zimbabwe African National Union – Patriotic Front (ZANU–PF), South West Africa People's Organization (SWAPO), The African National Congress (ANC), the *Movimento Popular de Libertação de Angola* (MPLA)[3] were socialist. As a result FRELIMO[4] chose socialism in order to cooperate with other regional liberation movements.

At domestic level, during the armed struggle (1964-1974), FRELIMO was able to test the socialist model in the liberated areas. This gave confidence to its leaders to implement socialism in the post independent People's Republic of Mozambique. This choice was also determined by a willingness to mark a clear cut with the capitalist/imperialist severe colonial experience. However, the destabilization war (1976-1992) carried out by *Resistencia Nacional de Moçambique* (RENAMO)[5] with support from Ian Douglas Smith and the Apartheid regime of South Africa (Mosca, 2005: 146) created challenges for FRELIMO's socialist Government. This was made worse by the waning of USSR's support from the inception of 1980s, which began to slow down due to domestic and international political and military pressure. The need to get financial assistance prompted FRELIMO to rethink the Mozambique socialist system and open the country to a more capitalist oriented economy (Veloso, 2006: 196).

When in 1983, the then governor of the Mozambique Central Bank, Parakash Ratilal, declared publicly that Mozambique would join the World Bank, the USSR and East Germany described this choice as a betrayal and interdicted Mozambique's accession to the Council for Mutual Economic Assistance (CMEA), an economic organization led by the USSR (*ibid*). To get assistance from the West,

[3] People Movement for the Liberation of Angola
[4] FRELIMO became socialist party in 1977 as result of Third Congress Decision, despite the fact that Mozambique became socialist since its independence in 1975.
[5] Mozambique National Resistance

the government of Mozambique had to normalize its relations with the West taking some diplomatic actions such as (i) signing the Nkomati Accord with the Republic of South Africa, in 1984 (ii) entering the Lomé Convention III, in 1984 and (iii) having official visits to the West, it was in this context that President Samora Machel, visited the USA, in September 1985.

As a result of closer ties with the West Mozambique was able to start negotiations with the Bretton Woods' institutions in 1984. These led to the approval, in 1987, of the Economic Rehabilitation Program, which basically meant the beginning of the ideological shift of the Mozambican State. The adoption of new constitution, in 1990 transformed the People's Republic of Mozambique into the Republic of Mozambique and sealed the transition from socialism to capitalism. Since then Mozambique has pursued democracy and liberal economy. In 2004 the constitution was revised, but there were no shifts in the ideological orientation.

1. The Public-Private Sectors Relations and Socio-economic Development

2.1 The Public-Private Sectors Relations

The transformations of public-private relations in the Mozambican economy happened in three different periods. Between 1975 and 1990 the private sector was neglected by the State that did not provide financial assistance nor developed economic policies in its favor. In contrast, companies and production units managed by the State, which were the majority, had all public financial support. The only exception to this general trend was the small farmers, which continued to produce until 1981 without a direct support from the State. With the intensification of the destabilization war, many of them left their farm, facing a time of famine in the subsequent years.

In the second period, from 1990 to 2000, the State moved from a centrally planned to a capitalist economy. This period was marked by the acceleration of the privatization process and a greater awareness of the private sector. In 1995, it started to organize Annual Conferences, which later became institutionalized public-private dialogue mechanisms. As consequence of the public sector increased openness, the private sector slowly became a partner in development of the country.

From the year 2000, coordination between the public and private economic actors has consolidated with platforms of dialogue; clear economic policies for strengthening private enterprises, especially small and medium enterprises; and measures for the financing of economic activities in both rural and urban areas. In this period, Foreign Direct Investment (FDI) also grows strengthening the role of the private sector in national economic development. The holdings of State in Mega-Projects reinforce the interaction between the public and private sectors, international partners play a key role in the consolidation of the private sector through support to the State budget, concessional loans and investments in the mining sector.

2.1.1 Prevalence of Public Sector over Private Sector 1975-1990

Relations between the public and private sectors from 1975 to 1990 were tense and complex with moments of rupture and continuity. Above all, it was a period of prevalence of the public sector over the private sector. This period was characterized by nationalization, the departure of Portuguese citizens (who were running the private business and the State apparatus before Mozambique's independence) and a weak private sector support.

In relation to nationalization, Mosca (2005: 148) states that 'on 24 July 1974 Samora Machel announced the nationalization of education and health, the land, the funeral companies and law firms. In these areas the private activities were prohibited. The second phase of nationalization took place on 3 February 1976 when he announced the nationalization of profit buildings and prohibited the rent of private houses' (*ibid*).

In practice nationalization meant the empowerment of the public sector as a strategy aimed at "destroying" the colonial State apparatus and build up social equality. In the rural areas, the government established 'cooperatives'[6] and

[6] A cooperative is an association of persons united to meet their aspirations and economic, social and cultural needs through a jointly owned property.

communal villages as forms of production and life for the rural people against private property and rural dispersion.

The nationalizations affected mainly the urban economy and contributed to the departure of Portuguese entrepreneurs due, largely, to fear of government's reprisals. According to Abrahamsson and Nilsson (1998: 37), almost 185 000 Portuguese, out of 200 000, returned to Portugal. This meant that both entrepreneurs and skilled labor that ensured the functioning of the colonial economy were no longer operating in Mozambique and many companies were abandoned.

Abandonment, uneconomic decisions and sabotage of the companies by the departing Portuguese business community forced the State to intervene in the industrial, commercial and agricultural. As Mosca (2005: 171) reports:

> Considering the hundreds of abandoned companies, scattered in the territory, of various sizes and in all economic sectors, ministries, especially of agriculture and of industry and commerce created the Production Support Offices. [...] The vast majority of intervened companies were integrated in provincial Production Support Offices, except in some monopolistic sectors consisting of large companies, whose option was to create State Owned Enterprises (SOEs).

Major State companies in the colonial period, such as the Exploration Division of Air Transport and Railways, passed directly to the Mozambican State whilst large foreign companies such as British Petroleum, *Banco Standard Totta de Moçambique, Grupo Entreposto, João Ferreira dos Santos, Grupo Madal* among others did not suffer State intervention and were not nationalized.

The existence of a large number of economic entities managed by the State may have contributed to weak private sector support. While SOEs had financing facilities from the Government, the private sector benefited indirectly from the marketing system. This was the case of the small farmers that used to sell their products to Agricom[7]. But the great challenge of the private sector was that the

[7] State Owned Company for runoff and agricultural marketing

prices were marked by the Ministry of Industry and Trade, often without obeying market mechanisms.

In the 1980s the Mozambican government recognized that it could no longer manage small business as stated by Samora Machel's[8]:

> The State cannot continue to pay wages to thousands of employees of the stores of the people, many of whom produce nothing, the current stores of the people should be transformed or delivered to consumer cooperatives, to private traders. Some should be closed if there is no owner for rent, the State cannot manage business. Let's make a plan to transform people's shops. Private business has to play an important role in our country; it was clearly decided in the third congress of the FRELIMO Party. [...] The State should concern itself with the direction of our economy, with the completion of major projects of development.

The decision license stores to private individuals was a measure designed to address the malfunctioning of small commercial units. Therefore, the private sector was delegated the task of managing small businesses in recognition of the role of the private sector in promoting economic development, even if only small traders were concerned at first.

During the period that runs from 1975 to 1990, the Mozambican government designed programs and economic plans to respond to the country's economic challenges. Some of these programs and plans are: the Emergency Program of 1976 whose main objective was to present the International Community the financial needs to tackle the economic crisis originated by floods and the closure of the border with Southern Rhodesia. The Central State Plan of 1978 was controlled by the State and State Owned Enterprises. These programs and plans prioritized the collective production sectors, neglecting the private sector. Indeed the results of these programs and plans have been positive as evidenced by Abrahamsson and Nilsson in stating that during the period between 1975 and 1981 it was possible to maintain production levels, which increased 83% from 1977 to 1981 (1998: 34).

[8] Samora Machel, Speach on "Ofensiva Política e Organizacional delivered at Independence square on 18 March 1980, Maputo, Mozambique (RM Audio).

A Prospective Indicative Plan with a set of economic and social goals to build a prosperous Socialist State was also adopted for the decade 1980-1990. But the economy began to suffer as result of intensification of destabilization war. In 1983 the government formulated the Economic Action Program to counteract the downward economic trend. However, the program failed again due to intensification of the war. In an attempt to improve the critical situation, the government introduced the Economic Rehabilitation Program (ERP)[9] in January 1987 and the same year came to an agreement with the International Monetary Fund (IMF) and the World Bank to introduce structural adjustments. In the ERP the small farmers were prioritized.

Mosca (*ibid:*177) says that during the 1980s privatization or private sector expansion was slow and insignificant, it covered the small and medium enterprises in transport, trade, hostelry, agriculture and industry. It is clear that the ERP was the initial phase of the establishment of the market economy. In 1990, the Mozambican government introduced the Economic and Social Rehabilitation Program (ESRP)[10], a comprehensive program that took into account the social dimensions of economic rehabilitation[11].

The failure of economic plans and programs appears to be linked largely to the war of destabilization that destroyed economic and social infrastructures; and displaced people. Some moved to urban centers where they swelled the ranks of the unemployed, and others became refugees in neighboring countries. In fact the war of destabilization collapsed the rural economy and prevented any prospects of development of the private sector.

2.1.2 Transition Period 1990-2000

The 1990 constitution is an essential milestone in the political and economic transition of Mozambique. From a political standpoint, it introduced the multiparty system and liberal democracy instead of the single party and socialist democracy.

[9] Programa de Reabilitação Económica
[10] Programa de Reabilitação Económica e social entred in force in 1989
[11] The social dimension of this program aimed to reduce absolute poverty paying more attention to social sectors such as education, helth, food for population

From an economic standpoint, it formalized the changes that were in progress since 1984, moving from centrally planned economy to a market economy.

The differences in the constitutions of 1975 and 1990 regarding the State's role in the economy seem to be clear. While Article 9 of the 1975 Constitution presented the State as promoter of economic planning, Article 41 of the 1990 Constitution presents the State as regulator and promoter of economic growth and social development. By doing so, the 1990 Constitution left room for the private sector to play a greater role in the economic development of the country.

The 1990 Constitution and pressure from the Bretton Woods institutions led to the approval of Law 15/91 of 3 August. This law established the general principles that should guide the privatization and transfer to the private sector of enterprises, buildings and properties owned by the State (Samussone, 2014: 74). Looking at the economic transformations of Mozambique in the 1990s, Castel-Branco *et al* (2001) argue that privatization together with liberalization and deregulation constituted the core of Mozambique's economic transition. However, the transition from a socialist to a capitalist economic model was complex and sometimes opaque.

The process of privatization gained more dynamic with the end of the war of destabilization and especially with entry into power of a democratically elected government in 1994. The effects of privatization were different in each case. For example, while the Company for Construction and Maintenance of Roads and Bridges (ECMP) ended up bankrupt leaving their former workers unemployed, other companies like CETA[12] in turn adapted to market requirements and remains a benchmark. Despite these differences, since 1993 the Mozambican economy began to grow about eight percent per year, having declined in 2000 because of floods (MARP, 2010: 76).

The first conference of the private sector held in 1995 led to the establishment of the Annual Conference of the Private Sector (ACPS), which together with the

[12] CETA is a Construction and maintenance Company that operates in the following engineering sectors: roads, structures (bridges, ports, hospitals, schools, housing, buildings, wharehouses), geotechnical, environmental, hydraulic, and railways

Private Sector Working Group's (PSWG) is the main mechanism of public-private consultation.

The transition period was also marked by the effort of attracting Foreign Direct Investment. The investment law (Law 3/93 of 24 June) allowed the emergence of Mozal in 1998 (Wache, 2008: 3), an aluminum smelting plant located in Maputo province. Mozal represented the promising start of Foreign Direct Investment that in subsequent years were to settle in Mozambique. The company's shareholders are BHP Billiton with 47%, Mitsubishi Corporation with 25% and International Development Corporation with 24% and the Government of the Republic of Mozambique with 4% (*ibid*). However, one must note that with the appearance of Multinational Corporations it is increasingly difficult to distinguish between the public and private sectors, since the State, represented by the government becomes shareholder of companies that would be considered private by nature.

2.1.3 Consolidation of Private Sector 2000-2014

The year 2000 was historically significant: first, because of the establishment of Mozal which began to produce and export aluminum in this year, an operation that galvanized the small and medium companies that were contracted to provide services, especially transport, cleaning and feeding. Second, because that same year the country was ravaged by floods that destroyed the infrastructures, paralyzed economic activities and profoundly affected the country's economy. However, in subsequent years the economy recovered its course registering a continuous growth of over five percent per year.

Mozambique's economic growth is the result of a peaceful environment associated with (i) economic policies, (ii) greater public-private coordination, (iii) Foreign Direct Investment and (iv) international cooperation.

With regard to economic policy the focus is on the *Planos de Acção para a Redução da Pobreza Absoluta* (*PARPA*)[13] and the establishment of Branches of Single Service[14]. Each plan was applied for five years, *PARPA* I lasted from 2001 to 2005,

[13] Plans of Action for the Reduction of Absolute Poverty
[14] Balcões de Atendimento Único

PARPA II lasted from 2006 to 2009 and the *Plano de Acção para a Redução da Pobreza* (*PARP*)[15] is still in force (20011-2014). *PARPA* I recognized the central role that the private sector plays in the Mozambican economy by stating: 'the strategy of reducing poverty and promoting economic growth is based on the assumption that private initiative of citizens, families, firms and other institutions, is the engine of development, leaving the State to provide essential services and infrastructure to the implementation of this initiative' '(Government of Mozambique, 2001: 81).

PARPA II reaffirmed the importance of the private sector arguing that 'the beneficial effects on the economy would be perceived through combating bureaucracy, the increase of quality and strategic investment in infrastructure and encouraging the growth of the private sector' (Government of Mozambique, 2006: 4). In its turn the *PARP* states that 'the Strategy for Improvement of Business Environment 2008-2012, the Strategy for the Development of Small and Medium Enterprises, as well as the Strategy for Employment and Vocational Training are the basis for the promotion of employment through strengthening of the private sector' (Government of Mozambique, 2011: 15). These plans show the central place reserved to the private sector by the Government of Mozambique.

These plans were reinforced since 2005 through the District Development Fund also known as 'seven million[16]'. Since 2010, the Government added the Strategic Program for Urban Poverty Reduction Fund. These funds have served to leverage private finance initiatives in both rural areas and in cities. Yet it still remains as a challenge to best structure the funds to actually turn it into sources to generate employment, especially for youth.

The Plans were strengthened by the creation of the Branches of Single Service through Decree 14/2007, of 30 May, with the aim of improving public services through simplification, flexibility and speed of administrative procedures in cases of citizens' claims. The main objective of the service is to efficiently meet the needs of the private sector, simplifying the procedures in order to allow the establishment and permanence of private companies in Mozambique.

[15] Action Plan for the Reduction of Poverty

[16] This is money given anually to Districts in order to financiate the local enterpreneurs that have economic inititaives but no funds to implement them. The main objective is to reduce poverty.

Regarding the growing of public-private coordination, it seems important to highlight the fact that since 1995 the Confederation of Economic Associations (CTA) has held fourteen Annual Conferences of the Private Sector. These conferences alongside with the Expanded Board of Consultancy are authentic channels of dialogue between the public and private sectors. The Private Sector Working Group, which also includes international partners, is also part of these channels.

The Minister of Industry & Commerce, Armando Inroga indicated, at the XIII edition of Mozambique annual private sector conference held on the 8th March 2013, that the government has complied with 80% of its targets for business environment reform. His comments coincided with the conclusion of the first phase of the Business Environment Improvement Strategy (BEIS) and preparations to implement the second phase as well as the launch of the draft of the National Development Strategy (ACIS & CTA, 2013: 5). The overall objective of the BEIS is to "reduce absolute poverty levels, through the promotion of rapid, sustainable and inclusive economic growth, focusing on the creation of an environment favorable to investment and to the development of national entrepreneurship, and of the realization of actions in education, health and rural development." (*ibid)* This objective encompasses the main concerns of both public and private sectors.

The implementation of the first phase of BEIS produced, on one hand some results such as better Business Environment[17], increasing of investments, more access to education and health. On other hand, the lack of funds prevented the country to improve the quality of services (education, transport, health). It is under this context the second phase is being implemented.

Foreign direct investment has increasingly helped to boost the private sector and the economy in general. Indeed, since 2000 the economic growth of Mozambique met even more auspicious moments with the appearance of mega projects: Mozal

[17] The Rankings of Doing Business reports show that the business environement is improving becouse for exemple Mozambique in 2013 was placed as 146, in 2014 was placed as 142 And in 2015 is placed as 127.

began its activity, the resumption of operation of Pande and Temane by Sasol[18] the Moatize Coal exploration by Vale Moçambique and Rio Tinto, the exploration of Moma heavy sands by Kenmar and findings of high natural gas reserves by *Ente Nazionale Idrocarburi (ENI)* and Anadarko in the Rovuma basin and more recently the discovery of oil in Inhassoro district.

Alongside the boost of private sector, the financial dimension has gained importance thanks to the capital gains from the sale of shares of some companies engaged in the search and exploitation of hydrocarbons. For example, ENI have paid $530 million in 2013 from the sale of its shares of Area 4 in Rovuma Basin to the Chinese company CNODC Dutch Cooperatief UA[19]. It seems that these capital gains have not yet benefited the small and medium companies; that is why the ongoing debate suggests a greater appeal for State assistance to this category of companies.

International cooperation also contributes to enhancing the coordination between the public and private sectors. For example Western partners from the forum G19 also known as the Program Aid Partners are supporting the State budget through which they are contributing to the country's economic growth and consolidation of the private sector. Some of the largest donors are: the World Bank, The United States of America, the European Commission, the UK and the Nederland.

Despite the need for financial aid, the dependence of Mozambique on foreign aid is reducing significantly. For example, in 2005 the budget dependence was about 48.1% and it decreased to 27.9% in 2013. In the medium term it is hoped that Mozambique will be self-sufficient in budgetary terms and the traditional sectors such as agriculture and services with help of the mining industry that is booming may contribute to this end.

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[18] Sasol is a South African integrated energy and chemicals company that is exploiting natural gas in Panda and Temane, suthern region of Mozambique.
[19] AIM, (2013), *ENI PAGA 530 MILHÕES DE DÓLARES EM IMPOSTO DE MAIS-VALIAS.* Available on <http://noticias.sapo.mz/aim/artigo/884729082013194022.html> Accessed on 14 October 2014

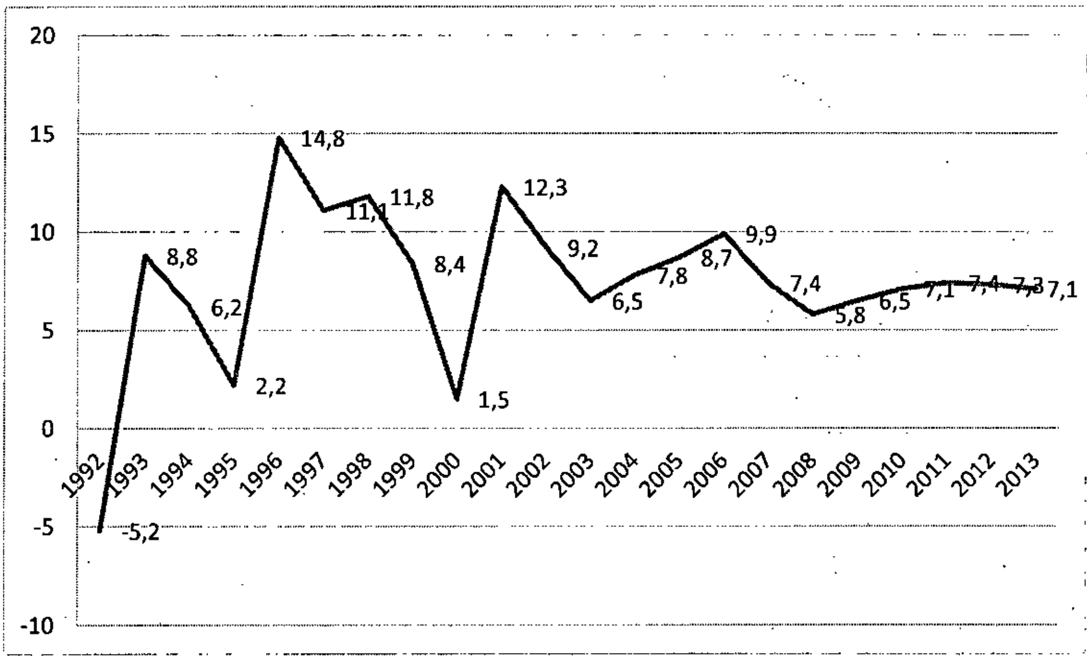
Another example of international cooperation partners are the prominent emerging economies mainly China, Brazil and India. China has been giving concessional loans to Mozambique, for the construction of infrastructure such as roads and bridges that facilitate and fortify the activities of the private sector. It is with Chinese concessional loans that Mozambique is building, since 2013, the bridge that will link Maputo city to Catembe. The bridge will facilitate tourism, investments and expansion of services. In addition to concessional loans, China together with India and Brazil has been investing in various sectors with greater emphasis on the extractive industry, such as coal mining in the province of Tete.

2.2 Socio-economic Development

In relation to socio-economic development Mozambique had to adapt to the reality imposed by Cold War, unfriendly regimes and the destabilization war. After independence the majority of Portuguese businessmen fled from the country and the economy slowed down. The intensification of the war of destabilization would lead to the collapse of the economy due, in part, to the departure of farmers from the productive rural areas to the cities and to the neighboring countries. It was in this context that emergency aid was institutionalized and NGOs became very active across the country, in a relatively disorganized manner at the beginning. As the war ended in 1992, the economy started to recover as shown in Figure 1.

Despite the economic recovery in 2000 the economy experienced a sharp decline due to floods that affected the country. In subsequent years the economy has resumed its pace growing 7.5% on average per year since 2002 (OECD, 2013: 4). Economic growth has had an impact on the budget and on poverty reduction. For example, in 2005 the external financial dependence was decreased from 48.1% to 27.9% in 2013 (Guebuza, 2014:19). However, the Organization for Economic Cooperation and Development (OECD) argues that 'While the poverty rate declined from 69.4% of the population in 1997 to 55% in 2010; recent survey data shows that poverty alleviation is stagnating and regional disparities remain serious' (2013: 10). The perception of stagnation of poverty alleviation seems to challenge the governmental policies to combat poverty. However, the perception does not take into consideration that the mentioned poverty reduction refers to a period of thirteen years (1997-2010) while the perceived stagnation refers only to a period of two years (2011-2013).

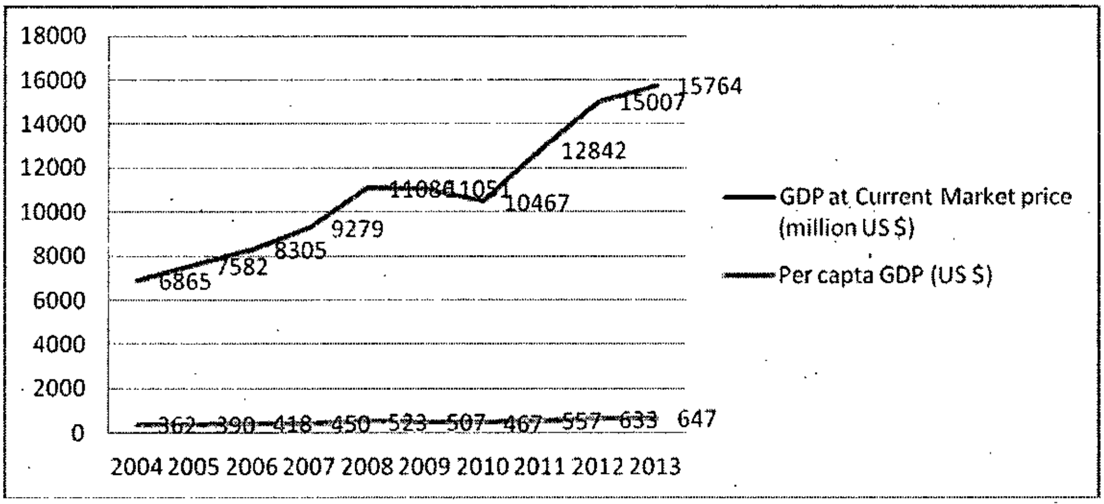
Graphic 1. Annual percentage GDP growth in Mozambique 1992-2013



Source: Adapted from OECD (2013) and SADC Secretariat (2014)

The economic growth is reflected in the country's GDP that despite fluctuations, the overall trend is growth. For example, Mozambique's GDP increased from 6,865 million American dollars in 2004 to 15,764 million in 2013, an increase over one hundred percent. The GDP per capita also grew significantly: it has increased from $ 362 in 2004 to $ 647 in 2013 (graphic 2). This economic growth has allowed the country to reduce poverty from 69.4% in 1997 to 55% in 2010.

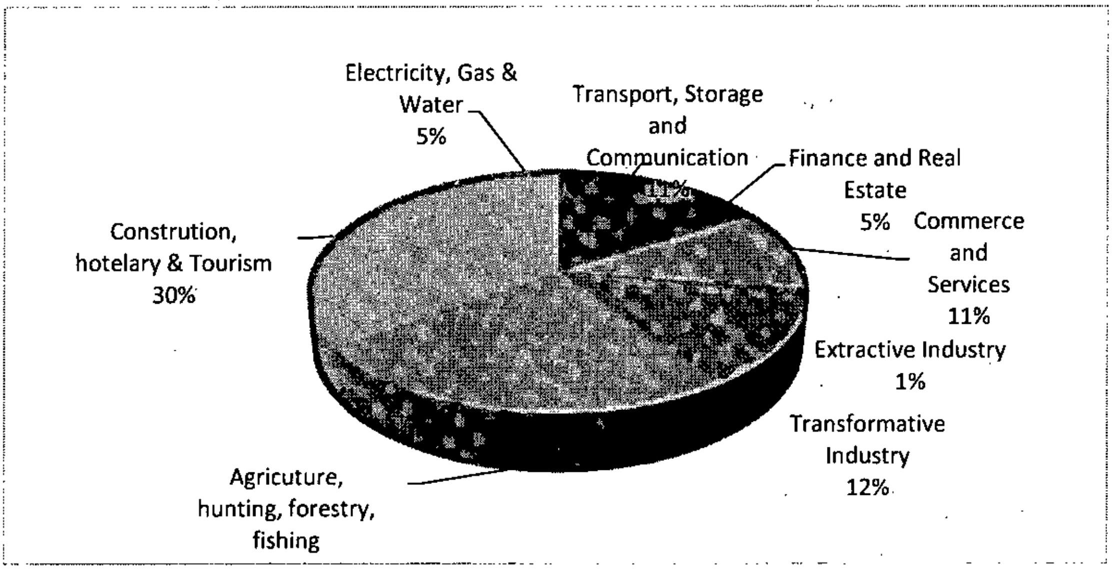
Graphic 2. GDP at current Market Price and GDP per capita (2004-2013)



Source: adapted from SADC Secretariat (2014)

The performance of the sectors that make up the Mozambican GDP shows that the extractive industry is still very weak. Surprisingly the extractive industry sector only contributed with 1% (graphic 3). For example the 2012 data shows that the largest contribution comes from construction, hostelry and tourism with 30% followed by industry, agriculture, hunting, forestry and fishing with 25%.. It is expected that with the exploration of natural gas the contribution of extractive industry may grow from 2018 with positive effects on the economy, especially in GDP and in the State budget, consequently decreasing the dependence on external financing and increasing wealth for Mozambicans.

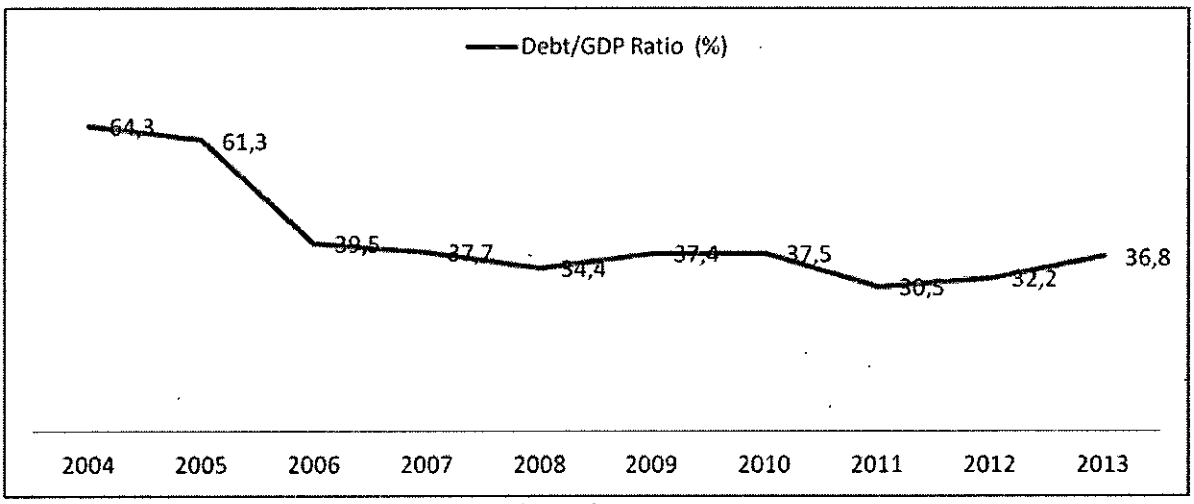
Graphic 3: Mozambique GDP Composition 2012



Souce: adapted from OECD (2013:10)

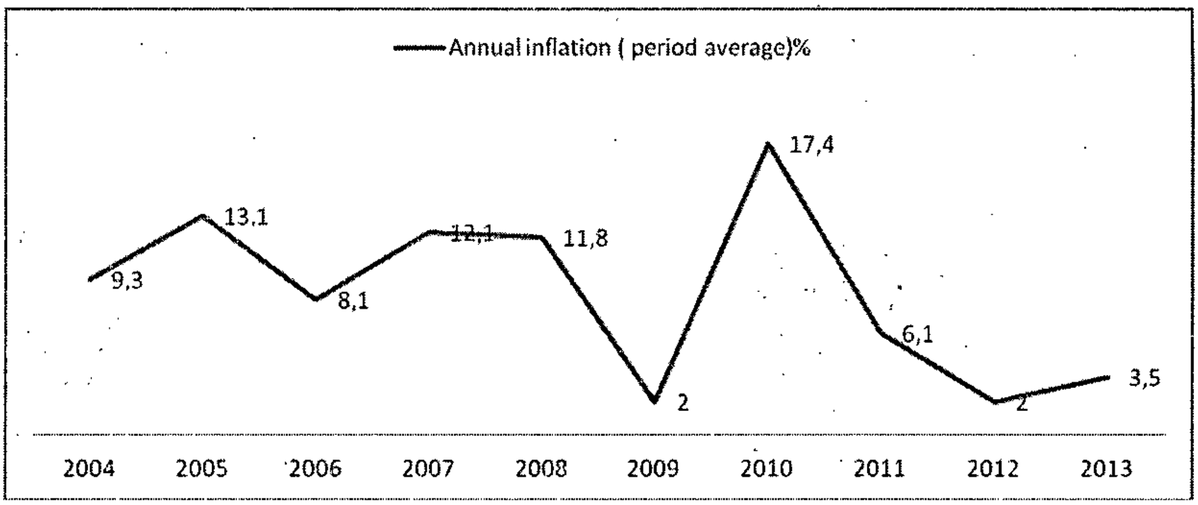
The economic growth in Mozambique is sustainable due to the control of public debt and inflation. For example the ratio Debt/GDP is below 40% since 2006, a performance considered sustainable (graphic 4) if compared with the Euro Zone that recommends to its members to not surpass 60%. Yet inflation remains a challenge, in the last ten years, 2010 was the peak with 17.4%, however, in 2009 and 2012 the inflation was 2%, this variation shows some instability of prices in the Mozambican market (graphic 5).

Graphic 4: Debt/GDP Ratio (%) 2004-2013



Source: adapted from SADC Secretariat (2014)

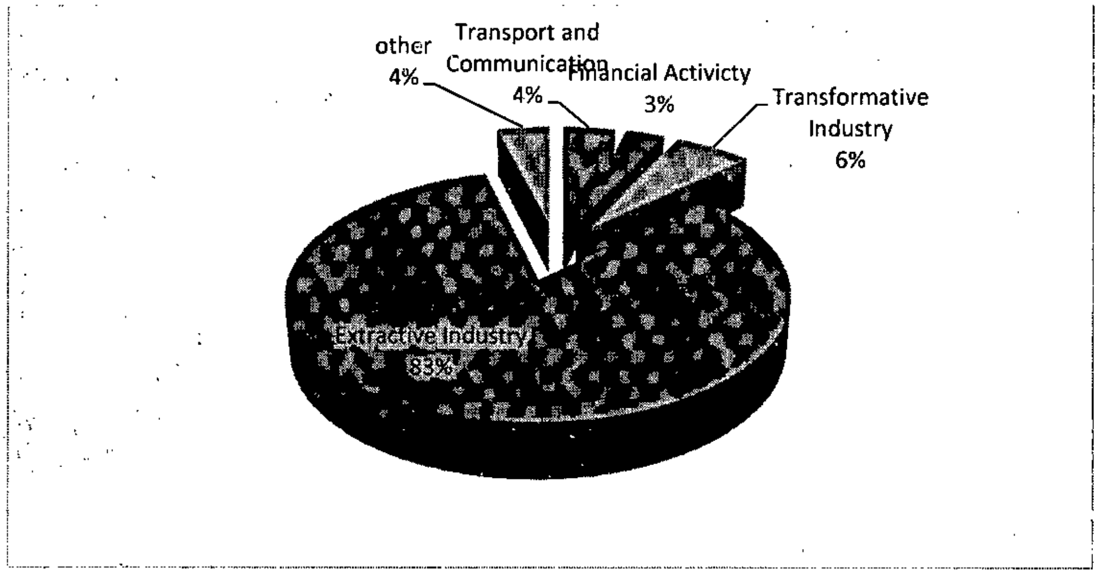
Graphic 5: Annual Inflation rates (period average)% 2004-2013



Source: adapted from SADC Secretariat (2014)

The mining industry has been the main source of attraction of Foreign Direct Investment. In 2011 it has absorbed 83% of the total inflows (graphic 6). The manufacturing industry absorbed 6% followed by transport and communications sectors and the financial activities. Other sectors absorbed only 4% of Foreign Direct Investment.

Graphic 6: Sectorial Composition of FDI in 2011

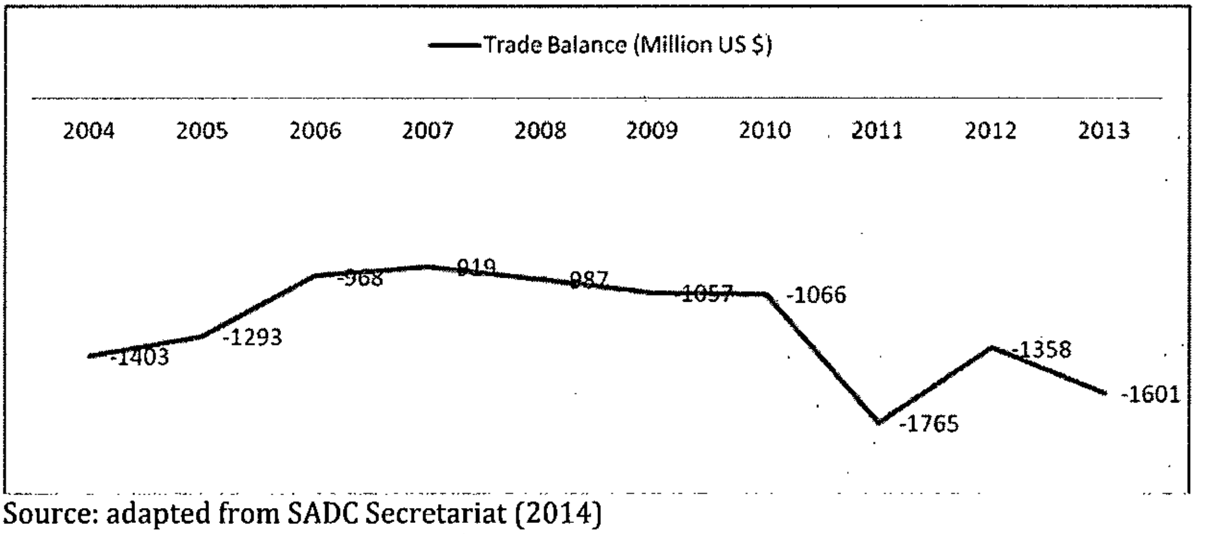


Souce: adapted from OECD (2013:10)

The trade balance is in deficit (graphic 7): Mozambique is importing more than it exports. It seems that the trade balance deficit will continue during the period of installation of mega projects, because these companies import expensive machinery that influence negatively the trade balance. Furthermore, some companies like Mozal in addition to importing machinery also import raw materials. Another important factor is the fact that Mozambique exports agricultural products such as sugar, tobacco, cotton, cashew nuts that are usually cheaper in the international market. South Africa, China, the United States under the umbrella of the African Growth and Opportunity Act (AGOA) and the European Union under the umbrella of the Cotonou Agreements and Everything But Arms (EBA) are among the main trading partners of Mozambique.

The deficit scenario may change positively when the export of Liquefied Natural Gas starts in 2018. It may become much better if the country is able to install a heavy manufacturing industry in order to give added value to export products. Therefore, it is expected that in the near future the Mozambican trade balance may reach the point of equilibrium.

Graphic 7: Trade Balance (Million US $) 2004-2013



Source: adapted from SADC Secretariat (2014)

The analysis of the Mozambican economy performance shows that the country is growing steadily. The most significant contribution comes from the sectors of construction, hostelry, tourism, agriculture, fishing, hunting, forest, which in 2012 contributed 55% of the total economy. Despite these encouraging results for economic growth, poverty reduction is not progressing and the inflation is unstable. Foreign Direct Investment is focusing on the mining industry and the trade balance is in deficit. This scenario suggests that implantation of manufacturing industry may give added value to the products exported by Mozambique.

2. Private sector and Democratic Governance

According to Kaufmann-Kraay-Mastruzzi (2010:4), good governance have the following key indicators: (i) voice and accountability, (ii) political stability and absence of violence, (ii) government effectiveness, (iv) regulatory quality, (v) rule of law and (vi) control of corruption. For reasons of structure in this study the political stability and absence of violence indicator will be presented in the section on Private Sector and Stability.

In relation to voice and accountability, the Mozambican government system is now a multiparty democracy based on the supremacy of the Constitution, the rule of law, the guarantee of fundamental human rights and popular participation through periodic and competitive elections (MARP, 2010: 96). The Constitution of the Republic on its article 48, followed by the press law (Law 18/91 of August 10) and the Right to Information Act passed in August 2014, upholds the principles of freedom of expression and provides for voice and accountability enshrined in it. A visible sign of freedom of expression is the growing number of private media. Newspapers, televisions and private radio represent an irreversible achievement, participating in governance and contributing to the education, Awareness building and information of Mozambican society.

Mozambique has more than 50 parties of which three are particularly known, namely: the Liberation Front of Mozambique (Frelimo), the Mozambique National Resistance (Renamo) and the Mozambique Democratic Movement (MDM) with seats in Parliament. Under separation of powers and the check and balance the government is accountable to the parliament and the head of State presents the State of the Nation at the end of each year to Parliament, in compliance to article 178 of the Constitution.

Since 1994, Mozambique has had competitive and periodic elections. Mozambicans have voted in five general elections (presidential and legislative), four local and two elections at Provincial Assemblies level. However, the election results have been repeatedly challenged with accusations of irregularity in the processes and fraud. For example, Renamo organized demonstrations in November 2000 in Montepuez against the results of the general elections of 1999 and in September 2005 in Mocímboa da Praia against the election results of 2004. Renamo has also contested the 2009 elections, a claim that slipped in instability in the central region of the country. Therefore, the acceptance of election results by the losing parties remains a challenge for Mozambique.

As for government effectiveness and regulatory quality, it is possible to point out some changes resulting from policies implemented by the government. Statistical data show that the population of Mozambique increased from 18,962 000 inhabitants in 2004 to 24,366 000 in 2013 and life expectancy increased from 46.7 years in 2004 to 53.1 years in 2013. Between 2004 to 2014 primary education grew to 57% of the total population, secondary education grew to 197%, technical and vocational education grew to 40.3% and higher education grew to 464.4% (Guebuza, 2014: 27). These data illustrate that the private sector has more skilled human resources at its disposal than in the past. This skilled people allow the companies to have greater possibility of growth and development.

On health the number of doctors has increased from 441 in 2005 to 920 doctors in 2014. The public service also experienced growth from 2001 to 2014, of about 300 thousand employees and agents of the State, the human resources developed as following:

- 82.5% with elementary and primary school in 2001 has decreased to 50% in 2014,
- 13% with secondary level rose to 31%
- 4.4% with higher education increased to 19% (*ibid*)

The process of decentralization of powers and deconcentration of competences gave greater responsibility to the districts and local advisory councils. The advisory councils represent the participation of citizens in the decision making process improving the governance effectiveness. The scenario described here shows that the governmental policies have a certain degree of effectiveness, but it should strengthen the capacity of central and local institutions and continue to implement policies aimed at greater participation and creating the well-being of people.

Concerning to the rule of law and control of corruption, many initiatives have been undertaken by the government. The country has 141 prosecutors of which 130 are at district level. The network of the Institute of Legal Assistance and Representation covers 135 districts of the total 150 districts and Judicial Courts cover 123 districts (Gubuza, 2014: 52, Paulino, 2014: 2). The creation of the Office for Ombudsman and of the National Human Rights Commission in 2012 reveals the importance given to rule of law in Mozambique.

In terms of legality there are positive aspects as production of orders by the prosecutors which are duly complied with by the Criminal Investigation Police, timely completion of the first interrogation of the arrested by the judges for criminal prosecution, daily selection in Police Commands and Squads by prosecutors, and an increasing improvement of collaboration between the judiciary and other organs of the State (Paulino, 2014: 12). There is also a growing humanization of the prisoners through their participation in agricultural and livestock production, education, sports and cultural activities.

However, there are still many challenges to be overcome: among them stands the failure to meet deadlines for preparatory instruction and probation, denial of conditional release for alleged nonpayment of claims and enforcement of arrest mandates without competent orders (*ibid*). The prisons and police cells are overcrowded, thus degrading the hygiene conditions. Another challenge is the detention in the same cells prisoners with different levels of dangerousness and different age groups.

Regarding to crime, Paulino (*ibid*) said that the most prominent organized crime networks include those connected with:

a) drug trafficking;

b) money laundering;

c) theft of car;

d) arms trafficking; and
e) trafficking of human organs.

These groups and their networks are not confined to Mozambique, but extend to other countries, including Portugal, Pakistan, Brazil, the United Arab Emirates and South Africa (*ibid*). Terrorism is not part of organized crime that affects Mozambique. Furthermore, there is no evidence of the linkage between the organized crime networks active in Mozambique with terrorism.

In 2013, the organized crime was engaged in kidnapping with requirement of huge amount of money for redemption, threating of kidnappings with collections of money from the threatened people and disseminating threating information by certain groups of criminals (Paulino, 2014: 12). Due to these crimes many businessmen and family members of employees of megaprojects left the country. The insecure environment generated by abduction combined with the instability that opposed the government and Renamo in Sofala province affected the activities of the private sector.

Among the various measures taken to eliminate this type of crime the most important one was the approval, by the Parliament, of the law 6/2014 of 5 February, criminalizing and punishing the crime of kidnapping, thus giving the courts a key tool in combating this type of crime.

Fighting corruption is a major challenge facing Mozambique in the democratic governance of the State. According to the Attorney General's Office, the combat of corruption is done on three key fronts of activity, namely: 1) repression; 2) prevention and 3) institutional coordination. Despite the development of policies, strategies and institutions, available data indicates that the incidence of corruption in Mozambique remains worrying. For example, between April 2013 and April 2014, 876 cases were processed, of which 600 of corruption, 276 of misappropriation and misuse of funds or property of the State. On one hand, these relatively high figures show corruption is one of the major challenges for Mozambique as a State; on the other hand, they illustrate the commitment of the institutions of the justice system in fighting corruption.

3. Private Sector and Stability

Since end of the civil war in 1992, Mozambique is a stable despite facing, especially in the post-election periods, localized pockets of instability. Crime has also created instability in localized areas of the country. This section analyzes the instabilities related to the post-election periods and crimes, especially kidnappings and piracy.

Analyzing the instability linked to post-election periods, Wache (2013: 1) argues that 'the after election periods in Mozambique have been violent since 1994 when the country organized its first general elections. Renamo has never accepted the election results as fair, transparent and credible; this may explain the reason why many people died in November 2000 in Montepuez, and in September 2005 in Mocímboa Praia, when Renamo organized demonstrations against the results of general election of 1999 and 2004 respectively'.

The most worrisome period of instability happened after the 2009 elections with an impact on the economy in general and for the private sector in particular, since the north-south linkage was almost closed by Renamo soldiers. The attack, by Renamo soldiers, of the Vale Moçambique Train, a Brazilian coal mining multinational that operates in Tete province, in April 2014, was seen as a threat to Foreign Direct Investment. The Conflict continued until 5 September 2014, when President of the Republic, Armando Guebuza and the President of Renamo, Afonso Dhlakama, signed the Cessation of Hostilities Declaration, after more than seventy rounds of negotiations.

In the negotiation process, diplomats from Italy, Portugal, USA, UK and Botswana have also played a role on persuading Afonso Dhlakama to sign the Declaration. The agreements reached between the parties of the conflict show that Mozambique has internal capacity for conflict resolution. This internal capacity is an asset in the history of the young Mozambican democracy and gives a greater sense of security to the Mozambican private sector. Despite this capacity Mozambique has invited Portugal, South Africa, Botswana, Cape Verde, USA, Italy, Kenya, UK and Zimbabwe to send their military experts as observers of the Renamo's disarmament process.

In relation to crime, piracy and kidnapping have been the most concerning issue for the private sector. In regard to piracy, the hijacking of the fishing boat Vega 5 on 27 December 2010 generated in the Mozambican government the need to invest in maritime security. The first step was to sign agreements with Tanzania and South Africa to coordinate and strengthen enforcement actions and combat piracy in the waters of the Mozambique Channel. The second measure was the purchase of patrol boats in France in 2013. With this measures, Mozambican companies that operate in the Mozambique Channel are safer than in the past.

Kidnappings have also concerned the private sector in Mozambique. For example, in 2013 when the abductions peaked, Rio Tinto coal mining Company 'asked the families of its foreign employees to leave Mozambique amid a spate of kidnappings [...]'. This reaction of Rio Tinto shows how instability has affected the private sector. But the situation was controlled and returned to normal few months later.

Conclusion

This paper analyzed the public-private relationship in Mozambique in four sections. The first section presented a brief history of the ideological choices that Mozambique made over time and emphasized the role played by the domestic, regional and international contexts.

The second section analyzed the links between public-private sectors relations and socio-economic development. In approaching this issue, three stages of the evolution of public-private relations were presented and it was argued that these relations started from a phase in which the public sector prevailed over the private sector going through a transition period culminating with the consolidation of more balanced public-private relations. It was in this section that the main trends in socio-economic development in Mozambique were presented, by focusing on economic growth, Foreign Direct Investment, and the large potential of energy resources such as coal, natural gas and oil. Because of the good economic performance of the country, there is a reduction of external financial dependence on traditional partners such as the European Union and its member States and the United States of America, while emerging economic powers are playing an important role by financing the construction of infrastructures and by providing concessional loans.

The third section addressed the role played by the private sector in democratic governance by using the good governance indicators of Kaufmann-Kraay-Mastruzzi. This section analyzed indicators such as voice and accountability, government effectiveness, the regulatory quality, rule of law and control of corruption. The paper also presented policies, strategies and other measures that the government took in order to maintain Mozambique on the road of good governance.

The last section discussed about the relations between private sector and stability. Even if Mozambique can be considered as a peaceful and stable country, some factors such as post-election demonstrations and crime –piracy and kidnappings- sometimes generate instability and affect the private sector.

Recommendation

- The Mozambican public and private sectors have to accelerate the ongoing debate in order to lower interest rates which would encourage lending to private productive activities.
- Given the fact that the public-private dialogue channels are being challenged, (the private sector think that the focal-point should the Prime Minister or the President of the Republic) , it is urgent to find a satisfactory answer for this issue in order to continue to straighten the business environment in the country.
- In the context of the multipolar world where we living in , it is recommended that the Mozambican public-private sectors diversify their partners (financier) to avoid the risk of imposition of political, social and cultural values .
- The funds that the Mozambique's Program Aid Partners (European Commission, United States of America and others) provide for the strengthening of the private sector could be delivered to commercial banks

for the purpose of extending loans to entrepreneurs with low interest rate (equivalent to developed countries rates) and an extended time of repayment.

- It is recommended that the Western partners eliminate their political conditionality in the provision of funding to developing countries, including Mozambique, under risk of becoming irrelevant with the rise of emerging economies with concessional loans, without political conditions.

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